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Hospital Corporation of China Limited
弘和仁愛醫療集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3869)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Hospital Corporation of China Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the six months ended June 30, 2022 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2021 (the “**Corresponding Period of Previous Year**”).

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	540,918	207,248
– Hospital management services	43,097	112,233
– General hospital services	492,965	93,543
– Sale of pharmaceutical products	4,856	1,472
Adjusted gross profit ⁽¹⁾	82,323	112,907
Adjusted net profit ⁽²⁾	43,393	69,941
Adjusted gross profit margin	15.2%	54.5%
Adjusted net profit margin	8.0%	33.7%
Adjusted items		
Expenses of share-based awards and defined benefit obligation expenses ⁽²⁾⁽ⁱ⁾	1,674	693
Losses on fair value change resulting from value change of convertible bonds and foreign exchange losses ⁽²⁾⁽ⁱⁱ⁾	32,834	25,160

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of identifiable intangible assets identified in acquisitions	10,260	13,373
Finance expense on financial liability at amortised cost	–	1,100
Total amount of impairment losses on intangible assets and the reversal of deferred income tax liabilities caused by the impairment on intangible assets ^{(2)(iv)(3)}	435,918	440,039
Revenue	540,918	207,248
Gross profit ⁽¹⁾	72,155	99,247
Net loss ⁽²⁾⁽³⁾	(437,293)	(410,424)
Basic loss per share (in RMB)	(3.09)	(2.47)

Notes:

- (1) The gross profit of the Group for the Reporting Period amounted to approximately RMB72.2 million. Adjusted gross profit is calculated as the gross profit for the Reporting Period, excluding the impact from the expenses of share-based awards and amortisation of identifiable intangible assets identified in acquisitions.
- (2) The Group recorded a net loss of approximately RMB437.3 million during the Reporting Period. The adjusted net profit (the “**Adjusted Net Profit**”) is calculated as the profit for the Reporting Period excluding the impact from certain items which are considered as non-operating by the management, including (i) the relevant expenses of share-based awards and defined benefit obligation expenses of approximately RMB1.7 million; (ii) the fair value losses and other changes on convertible bonds of approximately RMB26.7 million and foreign exchange losses of approximately RMB6.1 million mainly arising from cash and cash equivalents and other foreign currency assets and liabilities; (iii) amortisation of identifiable intangible assets identified in acquisitions of approximately RMB10.3 million; (iv) impairment losses on intangible assets of approximately RMB460.3 million, and the reversal of deferred income tax liabilities caused by the impairment on consolidated intangible assets of approximately RMB24.4 million. For the calculation of the Adjusted Net Profit, tax impacts of the adjusted items were not considered.
- (3) The loss for the Reporting Period is primarily attributable to the impact of the COVID-19 outbreak and the continued stringent prevention and control policy implemented since the first half of 2022 in view of the highly infectious nature of the Omicron variant, which resulted in (i) reduced demand for medical treatment and services; and (ii) impairment losses on certain goodwill and other intangible assets. Impairment losses are one-off non-cash items recorded during the Reporting Period, which have no direct impact on the cash flow of the Group.

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the interim financial information, which is unaudited but has been reviewed by the Group’s external auditor, KPMG, and by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022 – Unaudited

(Expressed in Renminbi (“**RMB**”))

		Six months ended June 30,	
	<i>Notes</i>	2022	2021
		RMB’000	RMB’000
Revenue	3	540,918	207,248
Cost of revenue		<u>(468,763)</u>	<u>(108,001)</u>
Gross profit		72,155	99,247
Administrative expenses		(35,267)	(21,057)
Selling expenses		(282)	(839)
Net impairment losses on financial assets		(662)	(4,483)
Impairment losses on intangible assets		(460,283)	(542,715)
Other income		3,833	1,197
Other losses, net	4	<u>(35,062)</u>	<u>(15,185)</u>
Operating loss		(455,568)	(483,835)
Finance income		8,094	3,696
Finance costs		<u>(4,089)</u>	<u>(12,864)</u>
Loss before income tax		(451,563)	(493,003)
Income tax	5	<u>14,270</u>	<u>82,579</u>
Loss for the period		(437,293)	(410,424)
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
– Remeasurement of defined benefit obligations		(2,527)	–
Total comprehensive income for the period		<u>(439,820)</u>	<u>(410,424)</u>
Attributable to:			
Owners of the Company		(427,562)	(341,104)
Non-controlling interests		<u>(12,258)</u>	<u>(69,320)</u>
Total comprehensive income for the period		<u>(439,820)</u>	<u>(410,424)</u>
Loss per share from loss attributable to owners of the Company			
– Basic and diluted loss per share (in RMB)	6	<u>(3.09)</u>	<u>(2.47)</u>

CONSOLIDATED BALANCE SHEET

As at June 30, 2022 – Unaudited

(Expressed in RMB)

		June 30, 2022	December 31, 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		232,643	250,715
Right-of-use assets		46,667	48,458
Intangible assets	7	1,169,073	1,637,308
Deferred income tax assets		9,060	9,284
Other receivables, deposits and prepayments		3,304	2,374
		<u>1,460,747</u>	<u>1,948,139</u>
Total non-current assets			
Current assets			
Inventories		46,664	48,033
Trade receivables	8	72,540	114,794
Other receivables, deposits and prepayments		17,341	9,975
Amounts due from related parties		244,285	222,802
Financial assets at fair value through profit or loss		249,802	338,905
Term deposits		–	638
Cash and cash equivalents		409,703	440,428
		<u>1,040,335</u>	<u>1,175,575</u>
Total current assets			
Total assets			
		<u><u>2,501,082</u></u>	<u><u>3,123,714</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		123	123
Share premium		435,304	435,304
Other reserves		868,028	929,345
Accumulated losses		(994,361)	(566,799)
		<u>309,094</u>	<u>797,973</u>
Non-controlling interests		<u>256,041</u>	<u>337,854</u>
Total equity			
		<u><u>565,135</u></u>	<u><u>1,135,827</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at June 30, 2022 – Unaudited**(Expressed in RMB)*

		June 30,	December 31,
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>11</i>	933,601	906,916
Lease liabilities		6,876	7,607
Employment benefit obligations		47,091	42,798
Deferred income tax liabilities		157,396	178,741
Accruals, other payables and provisions		97,160	325,804
		<hr/>	<hr/>
Total non-current liabilities		1,242,124	1,461,866
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>9</i>	100,764	124,300
Accruals, other payables and provisions		480,322	287,419
Amounts due to related parties		7,492	13,246
Contract liabilities		1,281	1,494
Current income tax liabilities		12,117	27,030
Borrowings	<i>10</i>	89,956	71,018
Lease liabilities		1,891	1,514
		<hr/>	<hr/>
Total current liabilities		693,823	526,021
		<hr/>	<hr/>
Total liabilities		1,935,947	1,987,887
		<hr/>	<hr/>
Total equity and liabilities		2,501,082	3,123,714
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company, together with its subsidiaries (collectively referred to as “**the Group**”), are principally engaged in (i) operation and management of hospitals; (ii) provision of management and consultation services to certain 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 on March 16, 2017.

2 BASIS OF PREPARATION

This interim financial information for the six months ended June 30, 2022 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (“**IASB**”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out below.

The Group has applied the following amendments to International Financial Reporting Standards issued by the IASB to this interim financial information for the current accounting period:

- Amendments to IAS 16, “Property, plant and equipment: Proceeds before intended use”
- Amendments to IAS 37, “Provisions, contingent liabilities and contingent assets, Onerous contracts – cost of fulfilling a contract”

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these developments has had a material effect on how to the Group’s results and financial position for the current period have been prepared or presented in this interim financial information.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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 or chief executive officer 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 customers for their products and services; (iv) the methods used to distribute their products or provide their services; and (v) if applicable, the nature of the regulatory environment, the Group’s operating segments are aggregated. In the view of CODM, the Group is principally engaged in three different segments which are subject to different business risks and different economic characteristics.

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

(a) General hospital services

Revenue from this segment is generated in the PRC and derived from hospital services provided by Jiande Hospital of Traditional Chinese Medicine Co., Ltd. (“**Jiande Hospital**”), Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd. (“**DJ Pharmaceutical Technology**”), Jiande Xinlin Pharmacy Co., Ltd. (“**Xinlin Pharmacy**”) and Shanghai Yangsi Hospital (“**Yangsi Hospital**”) for the six months ended June 30, 2022.

For general hospital services, revenue primarily derives from highly diversified individual patients and no single patient contributed 1% or more of the Group’s respective revenue for the six months ended June 30, 2022 and 2021, respectively.

(b) Hospital management services

Revenue from this segment is generated in the PRC and derived from providing comprehensive management services and receiving management service fee by the relevant not-for-profit hospitals in accordance with relevant hospital management agreements.

(c) Sale of pharmaceutical products

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

(d) Unallocated

The ‘Unallocated’ category mainly represents the headquarter income and expenses.

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

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Sale of pharmaceutical products <i>RMB'000</i>	Elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended June 30, 2022						
Segment revenue	495,029	82,823	4,856	(41,790)	–	540,918
Inter-segment revenue	(2,064)	(39,726)	–	41,790	–	–
Revenue from external customers	<u>492,965</u>	<u>43,097</u>	<u>4,856</u>	<u>–</u>	<u>–</u>	<u>540,918</u>
Timing of revenue recognition						
– At a point in time	232,722	27,390	4,856	–	–	264,968
– Over time	260,243	15,707	–	–	–	275,950
	<u>492,965</u>	<u>43,097</u>	<u>4,856</u>	<u>–</u>	<u>–</u>	<u>540,918</u>
EBITDA	63,933	(444,081)	1,810	(90)	–	(378,428)
Depreciation	(22,802)	(1,559)	(33)	–	(325)	(24,719)
Amortisation	(3,844)	(4,766)	–	–	(21)	(8,631)
Finance (costs)/income	(1,412)	(81)	(14)	–	5,512	4,005
Unallocated expense – net					(43,790)	(43,790)
Profit/(losses) before income tax	<u>35,875</u>	<u>(450,487)</u>	<u>1,763</u>	<u>(90)</u>	<u>(38,624)</u>	<u>(451,563)</u>
As at June 30, 2022						
Segment assets	805,349	707,964	14,857	(111,234)	338,278	1,755,214
Goodwill	58,495	687,373	–	–	–	745,868
Total assets	<u>863,844</u>	<u>1,395,337</u>	<u>14,857</u>	<u>(111,234)</u>	<u>338,278</u>	<u>2,501,082</u>
Total liabilities	<u>475,212</u>	<u>100,857</u>	<u>2,794</u>	<u>(111,234)</u>	<u>1,468,318</u>	<u>1,935,947</u>

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Sale of pharmaceutical products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended June 30, 2021					
Segment revenue	<u>93,543</u>	<u>112,233</u>	<u>1,472</u>	<u>–</u>	<u>207,248</u>
Revenue from external customers	<u><u>93,543</u></u>	<u><u>112,233</u></u>	<u><u>1,472</u></u>	<u><u>–</u></u>	<u><u>207,248</u></u>
Timing of revenue recognition					
– At a point in time	51,515	–	1,472	–	52,987
– Over time	<u>42,028</u>	<u>112,233</u>	<u>–</u>	<u>–</u>	<u>154,261</u>
	<u><u>93,543</u></u>	<u><u>112,233</u></u>	<u><u>1,472</u></u>	<u><u>–</u></u>	<u><u>207,248</u></u>
EBITDA	14,303	(458,617)	21	–	(444,293)
Depreciation	(5,931)	(928)	(273)	(802)	(7,934)
Amortisation	(3,819)	(10,143)	(2)	(52)	(14,016)
Finance (costs)/income	(905)	35	(14)	(8,284)	(9,168)
Unallocated expense – net	<u>–</u>	<u>–</u>	<u>–</u>	<u>(17,592)</u>	<u>(17,592)</u>
Profit / (losses) before income tax	<u><u>3,648</u></u>	<u><u>(469,653)</u></u>	<u><u>(268)</u></u>	<u><u>(26,730)</u></u>	<u><u>(493,003)</u></u>
As at June 30, 2021					
Segment assets	399,116	951,276	4,486	829,797	2,184,675
Goodwill	<u>58,495</u>	<u>950,915</u>	<u>9,266</u>	<u>–</u>	<u>1,018,676</u>
Total assets	<u><u>457,611</u></u>	<u><u>1,902,191</u></u>	<u><u>13,752</u></u>	<u><u>829,797</u></u>	<u><u>3,203,351</u></u>
Total liabilities	<u><u>147,454</u></u>	<u><u>178,433</u></u>	<u><u>3,277</u></u>	<u><u>1,916,957</u></u>	<u><u>2,246,121</u></u>

4 OTHER LOSSES, NET

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Net fair value losses and other changes on convertible bonds	(26,685)	(18,155)
Net fair value gains on financial assets at FVPL	3,476	1,762
Others	(11,853)	1,208
	<u>(35,062)</u>	<u>(15,185)</u>

5 INCOME TAX

Subsidiaries established and operating in the PRC are subject to the PRC corporate income tax at the rates of 25% or 15% for the six months ended June 30, 2022 (six months ended June 30, 2021: 25% or 15%).

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	(6,851)	(18,057)
Deferred income tax	21,121	100,636
	<u>14,270</u>	<u>82,579</u>

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong Profits Tax rate was 16.5% for the period ended June 30, 2022 (six months ended June 30, 2021: 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 period ended June 30, 2022 and 2021.

(c) **PRC Corporate Income Tax (“CIT”)**

The income tax rate of Tibet Honghe Zhiyuan Business Management Co., Ltd. (“**Honghe Zhiyuan**”) and Tibet Dazi Honghe Ruixin Business Management Co., Ltd. (“**Honghe Ruixin**”) was 15% for the period ended June 30, 2022 (six months ended June 30, 2021: 15%). The income tax rate of other subsidiaries was 25% for the period ended June 30, 2022 (six months ended June 30, 2021: 25%).

(d) **Withholding Tax**

The withholding tax rate of New Pride Holdings Limited (“**New Pride**”), Bliss Success Holdings (“**Bliss Success**”) Limited and Impeccable Success Limited (“**Impeccable Success**”) was 10% pursuant to PRC Enterprise Income Tax based on the remittance of dividends from subsidiaries in the PRC in the foreseeable future, respectively.

6 LOSS PER SHARE

(a) **Basic loss per share**

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
	RMB’000	RMB’000
Total loss attributable to owners of the Company (RMB’000)	<u><u>(427,562)</u></u>	<u><u>(341,104)</u></u>
Weighted average number of ordinary shares in issue (in thousands)	<u><u>138,194</u></u>	<u><u>138,194</u></u>
Basic loss per share (in RMB)	<u><u>(3.09)</u></u>	<u><u>(2.47)</u></u>

(b) **Diluted loss per share**

The Group had potential dilutive shares during the six months ended June 30, 2022 and 2021 related to the convertible bonds. Mainly due to the Group’s negative financial results during the six months ended June 30, 2022 and 2021, 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 on June 30, 2022 and 2021.

7 INTANGIBLE ASSETS

	Goodwill	Contractual rights to provide management services	Licenses	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended June 30, 2022					
Net book value					
Opening amount as at					
January 1, 2022	1,108,690	364,617	159,905	4,096	1,637,308
Additions	–	–	–	207	207
Amortisation	–	(4,710)	(3,237)	(212)	(8,159)
Impairment charge	(362,822)	(97,461)	–	–	(460,283)
Closing amount as at June 30, 2022	<u>745,868</u>	<u>262,446</u>	<u>156,668</u>	<u>4,091</u>	<u>1,169,073</u>
Six months ended June 30, 2021					
Net book value					
Opening amount as at					
January 1, 2021	1,150,684	890,411	166,379	1,083	2,208,557
Additions	–	–	–	196	196
Amortisation	–	(10,135)	(3,237)	(172)	(13,544)
Impairment charge	(132,008)	(410,707)	–	–	(542,715)
Closing amount as at June 30, 2021	<u>1,018,676</u>	<u>469,569</u>	<u>163,142</u>	<u>1,107</u>	<u>1,652,494</u>

8 TRADE RECEIVABLES

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Trade receivables	79,762	121,533
Less: provision for impairment of trade receivables	<u>(7,222)</u>	<u>(6,739)</u>
Trade receivables – net	<u>72,540</u>	<u>114,794</u>

As at June 30, 2022 and December 31, 2021, the ageing analysis based on invoice date of the trade receivables was as follows:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
1 – 90 days	77,062	114,536
91 – 180 days	1,954	4,033
181 days – 1 year	487	2,697
Over 1 year	<u>259</u>	<u>267</u>
	<u>79,762</u>	<u>121,533</u>

9 TRADE PAYABLES

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

	As at June 30, 2022 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
Within 90 days	83,940	112,350
91 to 180 days	10,122	6,203
181 days to 1 year	4,129	2,581
Over 1 year	2,573	3,166
	100,764	124,300

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

10 BORROWINGS

	As at June 30, 2022			As at December 31, 2021		
	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>	Total <i>RMB'000</i>	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>	Total <i>RMB'000</i>
Bank borrowing						
Secured but unguaranteed (a)	30,956	—	30,956	31,018	—	31,018
Unsecured and unguaranteed (b)	59,000	—	59,000	40,000	—	40,000
	89,956	—	89,956	71,018	—	71,018

- (a) On December 11, 2017, the Company entered into a long-term loan agreement with China Merchants Bank Shanghai Zhangyang Branch. The bank loan commencing from December 12, 2017 will mature until 2022 with a twice repayment a year 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 Enterprise Management Co., Ltd. and Jiande Heyue Enterprise Management Co., Ltd. (“**Jiande Heyue**”) 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 in November and December 2021, and March, April and June 2022. The amount of these loans was RMB59,000,000, which consist of the loans amounting to RMB9,900,000, RMB9,000,000, RMB8,200,000, RMB9,900,000 and RMB3,000,000 bearing the same fixed interest rate of 4.300%, and the loans amounting to RMB9,500,000 and RMB 9,500,000 bearing the same fixed interest rate of 4.100%.

As at June 30, 2022, the Group's borrowings were repayable as follows:

	Bank borrowings	
	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 1 year	89,956	71,018

11 CONVERTIBLE BONDS

The movements of the convertible bonds are as follows:

	Convertible Bonds RMB'000
As at January 1, 2022	906,916
Amortisation of discount with principal amount at initial recognition	(763)
Fair value change	27,448
As at June 30, 2022	933,601
As at January 1, 2021	1,558,245
Amortisation of discount with principal amount at initial recognition	(751)
Fair value change	18,906
As at June 30, 2021	1,576,400

None of convertible bonds was converted into ordinary shares of the Company during the six months ended June 30, 2022.

The Company issued certain convertible bonds in 2018 and 2019, which were accounted for financial liabilities at fair value through profit or loss.

The significant inputs in the valuation model related to convertible bonds were listed as below:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Volatility	35.00%	35.00%
Time to expiration (years)	1.10~1.49	1.60~1.99
Risk free rate of interest	2.25%~2.41%	0.47%~0.62%
Dividend yield	0.00%	0.00%

12 DIVIDENDS

No dividend has been declared by the Company during the six months ended June 30, 2022 and June 30, 2021.

BUSINESS REVIEW AND PROSPECTS

Policy review

In the first half of 2022, medical reform policies have been rolled out successively. Policies such as Notice on the Issuance of 2022 Major Tasks for Intensifying Medical and Health System Reform (《關於印發深化醫藥衛生體制改革2022年重點工作任務的通知》) released by the General Office of the State Council, the Key Points of Healthy China Action 2022 (《健康中國行動2022年工作要點》) issued by the Office of Healthy China Action Promotion Committee, the 14th Five-Year Health Standardisation Work Plan (《“十四五”衛生健康標準化工作規劃》) issued by the National Health Commission, and the local supporting policies at the provincial and municipal levels were introduced. The frequent introduction of medical reform policies has demonstrated the Chinese government’s determination to further promote the development of a more regulated market in the medical industry in China as well as a more refined and pragmatic approach to management, which entailed strategies and directions as well as tactics and guidelines. These include:

- (1) speeding up fostering a new and orderly pattern of medical service and treatment and deeply promoting the establishment of compact medical and health alliances in counties and the systematic and structural reform so as to improve the quality of primary health care service; continuing to promote hierarchical diagnosis and treatment and enhance the order of medical treatment, organizing and formulating technical plans for hierarchical disease diagnosis and treatment and standards for admission and discharge, and guiding orderly medical treatment so as to promote reasonable medical treatment within regions or medical unities;
- (2) further promoting the experience of medical reform from Sanming City, carrying out centralized volume-based procurement of pharmaceuticals and consumables, expanding the scope of procurement, and strengthening price monitoring of medical consumables so as to advance price reform of medical services; promoting the reform of medical insurance payment methods, carrying out the diversified and combined medical insurance payment methods centered on the payment by type of disease and the reform of Disease Diagnosis Related Groups and Diagnosis-Intervention Packet, and further promoting the construction of a comprehensive regulatory system for the medical care and health industry so as to urge and guide local governments to regulate charges and services of medical institutions, strengthen price supervision in the pharmaceutical field, and promote the construction of drug use monitoring information networks and the application of drug codes;
- (3) promoting the development of a multi-level medical security system so as to explore information sharing between medical insurance information platforms and commercial health insurance information platforms in accordance with regulations; strengthening the ability of drug supply and guarantee, promoting the connection of drug use between higher and lower levels of medical institutions, and promoting the implementation of unique identification of medical devices by classification;

- (4) leading the high-quality development of health services by standardization so as to build a strong health system, promote the health of key personnel, support the innovative development of health services, and ensure the safe development of health services; optimizing the system of health standards, improving the standard cycle management, and focusing on the increase of highly qualified standard supply, promoting local standardization, and vigorously promoting the implementation of standards.

The introduction and implementation of the above medical reform policies provide opportunities for the Group to explore various business models. The Group will proactively overcome challenges and difficulties and seize the development opportunities to keep enhancing its brand influence and continue to promote and implement 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”.

Proactively promoting the implementation of medical supply chain projects and paying close attention to emerging businesses in the medical sector

In the first half of 2022, under the guidance of overall strategy, the Group fully leveraged the comprehensive strengths of the operation team to strengthen management and control system, enhance the quality of asset and explore innovative business models in accordance with the existing “Three-step” strategy in addition to maintaining the stable operation of hospitals owned, managed or founded by the Group (“**Group Hospital(s)**”). The Group also communicated with and gained understanding of private hospitals in the key districts to be focused on by the Group, and conducted multiple site visits to such hospitals. While maintaining its focus on the Internet medical industry, the Group explored the implementation of Internet diagnosis and treatment models, and incubation of projects that integrates online and offline medical services.

Honghe Pharmaceutical (Zhejiang) Co., Ltd.* (弘和醫藥(浙江)有限公司) (“**Honghe Pharmaceutical**”, a supply chain subsidiary of the Company) obtained its business license, certification for Good Supply Practice (“**GSP**”) and business license for Class III devices, marking the official launch of the Group’s strategic plans for supply chain. Adhering to the approach of “quality-oriented and regulated operation”, Honghe Pharmaceutical adopts strict, standardized and regulated management, and has deepened its pharmaceutical supply chain business and carried out business operations in the Group Hospitals, which has provided solid support for the Group’s strategic execution.

The Group will continue to coordinate various parties’ resources to identify new potential projects and promote the development of emerging businesses such as “pharmacy at one’s own expense” (自費藥房) and “Internet hospital” (互聯網醫院). Meanwhile, the Group will enhance synergy between traditional and Internet healthcare and gradually realize the Group’s diversified revenue model in order to lay a solid foundation for achieving its “Three-step” strategic goal.

Continuing to strengthen operations to create value on an ongoing basis

The Group adopted comprehensive measures for the Group Hospitals such as streamlining strategic positioning, reinforcing cultural development, providing management tools, nurturing cadres, implementing management system, assisting in attracting mid- to high-end talents, which facilitated the continued healthy development of each Group Hospital. The Group continued to promote a two-level coordinated development model for itself and the Group Hospitals, provide support and value-added services to Group Hospitals in various key aspects and continuously improve the operation of the Group and the Group Hospitals, including the improvement of, among others, significant event reporting, financial budgets and final accounts and capitalization of expenditures, preliminary assessment on key investment projects, etc.; the Medical Care Management Department adopts a normalized co-management model for key hospitals and key projects, and combines the characteristics of hospitals to improve the hospital's legal practising, medical quality and safety, functional management and operation management standards, and comprehensive service capabilities. Refined project management will be promoted in an all-round way, including but not limited to strengthen the assessment of the hospital administrators' target responsibility system, promote the sharing of resources between the Group and the Group Hospitals, and enhance the synergy effect; we also continue to make great efforts in the informatization construction of the Group and the Group Hospitals by consolidating the Hospital Information System (HIS), and including the Hospital Resource Planning System (HRP) and Intelligent Medical Insurance Management System at the same time; and continued to work on the standardized management of the Group to strengthen connection with shareholders and resources in the capital market.

The Group has continued to improve the comprehensive quality of the talents and attached great importance to the quality enhancement of each talent so as to lay a solid and sound foundation for the sustainable and steady development for the Group Hospitals in the future. Based on the successive organization of the advanced training courses for the Group and hospital management cadres, and management salons for hospital administrators, the training course for functional cadres was held to further improve the standard management ability of functional sections. The systematic training had also been provided for personnel who intended to take the Licensing Examination for Medical Practitioners, which had significantly improved the passing rate of the Licensing Examination for Medical Practitioners in the Group Hospitals. The Group organized a survey for the medical insurance management staff focused on the new dynamics of medical insurance policies, creating conditions for further standardization of medical practices, optimization of service processes, precise implementation of policies and realization of value-based medical care, so as to achieve a win-win situation for hospitals, patients and medical insurance.

The Group will continue to promote and implement the “Three-step” development strategy in the second half of 2022, aiming to gradually transform the Group from a medical group principally engaged in merger, acquisition and operation of hospitals into a large medical service technology group. The principal measures to be adopted include:

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. On the basis of the continuous upgrading the medical service quality of all Group Hospitals, the Group further optimized the supply chain management system, enhanced the process management of procurement of pharmaceutical products, devices and medical consumables and other business by taking the Procurement Management Committee of the Group as the top decision-maker of the Group in the purchase, in order to ensure that all purchases are made in an open, fair and impartial manner, and to provide quality and efficient supply chain services for hospitals. Meanwhile, based on the applications of IT technology, the Group built a process management system with the information system of collectivized management and control as the underlying infrastructure to comprehensively improve the quality of medical services; and

Exploring new business models. The Group will explore in further enriching 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 Contract Research Organization (“**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.

FINANCIAL REVIEW

Results of Operations

During the Reporting Period, our revenue was approximately RMB540.9 million, representing an increase of approximately 161.0% when compared with approximately RMB207.2 million of the Corresponding Period of Previous Year, which was mainly attributable to the increase in the revenue of general hospital services arising from the consolidation of the accounts of Shanghai Yangsi Hospital* (上海楊思醫院) (“**Yangsi Hospital**”) since 6 December 2021 and an increase in the amount of revenue from the provision of general hospital services by Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) (“**Jiande Hospital**”) to individual patients.

Our revenue from the hospital management services segment included our revenue from the provision of hospital management services to Cixi Honghe Hospital* (慈溪弘和醫院) (“**Cixi Hospital**”) and Zhejiang Jinhua Guangfu Oncological Hospital (“**Jinhua Hospital**”). During the Reporting Period, the revenue from this segment was approximately RMB43.1 million, representing a decrease of approximately 61.6% when compared with approximately RMB112.2 million of the Corresponding Period of Previous Year. The decrease in revenue was mainly due to the decrease of RMB87.2 million in management service fees received from Yangsi Hospital as a result of the consolidation of the accounts of Yangsi Hospital from 6 December 2021.

During the Reporting Period, our revenue from the general hospital services segment increased by approximately 427.0% to approximately RMB493.0 million from approximately RMB93.5 million in the Corresponding Period of Previous Year. Revenue from this segment for the Reporting Period increased mainly due to the increase in the revenue of general hospital services arising from the consolidation of the accounts of Yangsi Hospital since 6 December 2021.

Our adjusted gross profit was approximately RMB82.3 million for the Reporting Period, excluding the impacts of expenses of share-based awards and amortization of identifiable intangible assets identified in acquisitions, representing a decrease of approximately 27.1% when compared with approximately RMB112.9 million for the Corresponding Period of Previous Year. This was mainly attributable to the decrease in demand for medical treatments and services due to the COVID-19, which resulted in a decline in related revenues.

We recorded adjusted administrative expenses of approximately RMB33.5 million for the Reporting Period, excluding the impacts of defined benefit obligation expenses, representing an increase of approximately 62.2% when compared with approximately RMB20.6 million for the Corresponding Period of Previous Year, which was primarily due to an increase in related employee benefit expenses for the Reporting Period when compared with the Corresponding Period of Previous Year arising from the consolidation of the accounts of Yangsi Hospital since 6 December 2021.

We recorded adjusted operating profit of approximately RMB53.7 million for the Reporting Period, representing a decrease of approximately RMB37.5 million from approximately RMB91.1 million for the Corresponding Period of Previous Year. This is mainly attributable to the decrease in demand for medical treatments and services due to the COVID-19, which resulted in a decline in related revenues.

We recorded adjusted financial expense (net) of approximately RMB0.2 million for the Reporting Period, excluding the impact of foreign exchange gains mainly relating to cash and cash equivalents, and financial expenses on other financial liability at amortized cost, representing a decrease of approximately RMB0.9 million when compared with the financial expense (net) of approximately RMB1.1 million for the Corresponding Period of Previous Year. The decrease in financial expense (net) was primarily due to the decrease in interest expense on related bank borrowings.

For the Reporting Period, we have recorded an Adjusted Net Profit of approximately RMB43.4 million, representing a decrease of approximately 38.0% when compared to the Adjusted Net Profit of approximately RMB69.9 million of the Corresponding Period of Previous Year. Without taking into account the impact of the adjusted items, such decrease was mainly due to the decrease in demand for medical treatments and services affected by the COVID-19 outbreak, which resulted in a decline in related revenues.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2022, our total equity was approximately RMB565.1 million (as at December 31, 2021: approximately RMB1,135.8 million). As at June 30, 2022, we had current assets of approximately RMB1,040.3 million (as at December 31, 2021: approximately RMB1,175.6 million) and current liabilities of approximately RMB693.8 million (as at December 31, 2021: approximately RMB526.0 million). As at June 30, 2022, our current ratio was approximately 1.50, as compared with approximately 2.23 as at December 31, 2021.

Our current assets decreased by approximately RMB135.3 million from approximately RMB1,175.6 million as at December 31, 2021 to approximately RMB1,040.3 million as at June 30, 2022, primarily due to a decrease in cash and cash equivalents and financial assets at fair value through profit or loss. Our current liabilities increased by approximately RMB167.8 million from approximately RMB526.0 million as at December 31, 2021 to approximately RMB693.8 million as at June 30, 2022, primarily due to the increase in balances of accruals, other payables and provisions.

Our primary uses of cash in the Reporting Period were for working capital, term deposits 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. As at June 30, 2022, we had bank borrowings of approximately RMB90.0 million (as at December 31, 2021: approximately RMB71.0 million), and we had cash and cash equivalents of approximately RMB409.7 million (as at December 31, 2021: approximately RMB440.4 million).

As at June 30, 2022, the Group’s borrowings were repayable as follows:

	Bank borrowings	
	As at June 30, 2022 RMB’000	As at December 31, 2021 RMB’000
Within 1 year	89,956	71,018

As at June 30, 2022, the net gearing ratio, calculated based on the borrowing balance divided by the total equity, of the Company is approximately 15.9%. The Directors believed that, after taking into account the financial resources available to us, which include internally generated funds and the net proceeds from the Listing, we had sufficient working capital to meet our needs. As at June 30, 2022, the Group did not have any other material contingent liabilities or guarantees.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

- (1) Discloseable and connected transactions in relation to the acquisition of the entire equity interests of Hangzhou Jingyouzhi; and (2) Continuing connected transactions in relation to the entry of the New VIE contracts**

On February 16, 2022, the Group acquired the entire equity interests of Hangzhou Jingyouzhi Enterprise Management Company Limited (杭州靜有智企業管理有限公司) (“**Hangzhou Jingyouzhi**”) (holding 30% of the equity interests in Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.* (建德大家中醫藥科技有限公司) (“**DJ Pharmaceutical Technology**”) and Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司) (“**DJ Medicines**”) and controlling 30% of the equity interests in Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) (“**Jiande Hospital**”)) (the “**Acquisition**”), at a consideration of RMB120 million in accordance with the terms and conditions under an equity transfer agreement (the “**Onshore Equity Transfer Agreement**”). The Group, through Hangzhou Jingyouzhi, indirectly holds 30% equity interests in DJ Medicines and DJ Pharmaceutical Technology, and indirectly controls 30% of the equity interests in Jiande Hospital through a series of structured contracts. This Acquisition contributed to revenue for the sale of pharmaceutical products and general hospital services businesses that the Group engaged in.

Hangzhou Jingyouzhi, Hangzhou Jinhoupu Management Company Limited* (杭州金厚樸企業管理有限公司) (“**Hangzhou Jinhoupu**” or the “**OPCO**”) and Mr. Hong Jiangxin and Mr. Hong Yang (together with Mr. Hong Jiangxin, the “**Vendors**”) have entered into a series of structured contracts (the “**Existing VIE Contracts**”) on February 7, 2022. On April 2, 2022, (i) a series of agreements (the “**Termination Agreements**”) have been entered into by Hangzhou Jingyouzhi, Hangzhou Jinhoupu, and the Vendors to terminate the Existing VIE Contracts; (ii) a series of contracts (the “**New VIE Contracts**”) have been duly executed to establish the new variable interest entity (“**VIE**”) structure; and (iii) the equity transfer in the OPCO from the Vendors to Mr. Qin Chuan and Mr. Liu Hui (the “**PRC Equity Owners**”) pursuant to an equity transfer agreement (“**Associated Equity Transfer Agreement**”) has been completed. The New VIE Contracts, comprise the following: (i) the exclusive operation service agreement entered into among Jiande Heyue Enterprise Management Co., Ltd.* (建德和悦企業管理有限公司) (“**Jiande Heyue**”), the OPCO and the PRC Equity Owners; (ii) the exclusive option agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital; (iii) the entrustment agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital in favor of Jiande Heyue (and its successors or liquidators) or a natural person designated by Jiande Heyue and the annexure of the powers of attorney executed by the PRC Equity Owners and the OPCO appended thereto; and (iv) the equity pledge agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital.

On April 3, 2022, The Company has applied for a waiver (the “**Waiver**”) pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the New VIE Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum annual cap for the service fees payable by the OPCO to Jiande Heyue under Rule 14A.53 of the Listing Rules. The Stock Exchange has granted the Waiver, subject to conditions.

Please refer to the announcements published by the Company on October 27, 2017, November 1, 2017, February 16, 2022, April 3, 2022 and the circular published by the Company on December 15, 2017 for details.

Save as disclosed herein, the Group did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures from January 1, 2022 until June 30, 2022.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of June 30, 2022, 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.

As at June 30, 2022, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD and HKD.

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.

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 June 30, 2022 and December 31, 2021, Impeccable Success has pledged its paid-up equity interests in Zhejiang Honghe Zhiyuan to Industrial and Commercial Bank of China Jinhua Economic Development Zone Branch to secure certain loans granted to Jinhua Hospital with a maximum amount of RMB412.5 million.

As at June 30, 2022 and December 31, 2021, Zhejiang Honghe Zhiyuan has provided a joint liability to Industrial and Commercial Bank of China Jinhua Economic Development Zone Branch in respect of the same loans granted to Jinhua Hospital with a maximum amount of RMB550 million.

Save as disclosed herein, as at June 30, 2022 and December 31, 2021, the Group has pledged its assets as security for bank borrowings, details of which are set out in Note 10 to the interim financial information.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2022.

HUMAN RESOURCES

As at June 30, 2022, we had a total of 1,393 employees (as at June 30, 2021: 493), the increase of employee was mainly due to Yangsi Hospital was consolidated with effect from December 6, 2021, the employees of Yangsi Hospital were included in the statistical scope. 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, 2022, the total employee benefits expenses (including Directors' remuneration) were approximately RMB166.9 million (for the six months ended June 30, 2021: approximately RMB56.3 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. The Company has adopted certain share schemes for the purpose of, among others, providing incentive and rewards to eligible persons with outstanding performance and contributions to the Group.

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.

EVENTS AFTER THE REPORTING PERIOD

There is no other material event happened after the Reporting Period.

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. Except for as disclosed below, the Board considers 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.

Provision C.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 of the Company (“**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 C.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.

AUDIT COMMITTEE

The unaudited results and the interim financial information of the Group for the Reporting Period have been reviewed by the Audit Committee. The Audit Committee consists of three independent non-executive Directors, namely Mr. ZHOU Xiangliang (Chairman) and Mr. SHI Luwen, and Mr. DANG Jinxue. The Audit Committee is of the opinion that such financial information complies with applicable accounting standards, the Listing Rules and all other applicable legal requirements.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hccihhealthcare.com). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and made available for viewing on the above websites in due course.

By order of the Board
Hospital Corporation of China Limited
Chen Shuai
Chairman and Acting Chief Executive Officer

Beijing, China, August 30, 2022

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

* *For identification purpose only*