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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023 (the "**year under review**"), together with the comparative figures in 2022.

FINANCIAL HIGHLIGHTS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**1,427,733**	1,142,951
Gross profit margin	**16.8%**	13.2%
Adjusted gross profit margin[(1)]	**18.3%**	15.2%
Profit/(loss) for the year	**168,344**	(528,597)
Adjusted profit for the year[(2)]	**104,120**	65,858
Basic earnings/(losses) per share	**0.956**	(3.480)
Adjusted items		
Expenses of share-based awards[(2)(i)]	**230**	(621)
Depreciation and amortisation of identifiable assets identified in acquisitions[(2)(iii)]	**22,289**	23,297
Losses on fair value change and gains on the extension of convertible bonds and foreign exchange losses, net[(2)(ii)]	**(86,743)**	135,861
Total amount of impairment losses on intangible assets and the reversal of deferred income tax liabilities caused by the impairment on intangible assets	**–**	435,918

Notes:

(1) Adjusted gross profit margin is calculated as the gross profit margin for the year, excluding the share award expenses and the impact from the cost of depreciation and amortisation of identifiable assets identified in acquisitions.

(2) The Group recorded a net profit of RMB168.3 million during the year ended December 31, 2023. 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 RMB0.2 million; (ii) the losses on fair value of convertible bonds and other changes of approximately RMB134.7 million, gains on extension of convertible bonds of RMB222.9 million and exchange loss of approximately RMB1.5 million mainly arising from cash and cash equivalents and other foreign currency assets and liabilities; and (iii) depreciation and amortisation of identifiable assets identified in acquisitions of RMB22.3 million. For the calculation of the Adjusted Profit for the Year, tax impacts of the adjusted items were not considered.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Renminbi ("RMB"))

	Notes	2023 RMB'000	2022 RMB'000
Revenue	4	**1,427,733**	1,142,951
Cost of revenue		**(1,188,373)**	(992,073)
Gross profit		**239,360**	150,878
Selling expenses		**(1,568)**	(344)
Administrative expenses		**(129,232)**	(95,158)
Impairment losses on financial assets, net		**884**	(1,867)
Impairment losses on intangible assets		**–**	(460,283)
Other income		**16,633**	5,942
Other gains/(losses), net	5	**88,421**	(137,156)
Operating profit/(loss)		**214,498**	(537,988)
Finance income		**9,824**	14,599
Finance costs		**(8,118)**	(9,239)
Profit/(loss) before taxation		**216,204**	(532,628)
Income tax	6	**(47,860)**	4,031
Profit/(loss) for the year		**168,344**	(528,597)
Attributable to:			
Owners of the Company		**131,384**	(480,948)
Non-controlling interests		**36,960**	(47,649)
Profit/(loss) for the year		**168,344**	(528,597)
Earnings/(losses) per share:			
– Basic earnings/(losses) per share *(in RMB)*	7	**0.956**	(3.480)
– Diluted earnings/(losses) per share *(in RMB)*	7	**0.213**	(3.480)
Profit/(loss) for the year		**168,344**	(528,597)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in RMB)

	2023	2022
	RMB'000	*RMB'000*
Other comprehensive income		
Item that will not be subsequently reclassified to profit or loss		
– Remeasurement of defined benefit plan obligation, net of nil tax	**13,184**	(2,781)
Total comprehensive income for the year	**181,528**	(531,378)
Attributable to:		
Owners of the Company	**131,384**	(480,948)
Non-controlling interests	**50,144**	(50,430)
Total comprehensive income for the year	**181,528**	(531,378)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023
(Expressed in RMB)

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**183,004**	218,933
Right-of-use assets		**43,433**	44,877
Intangible assets		**1,152,245**	1,162,237
Deferred income tax assets		**8,165**	9,312
Other receivables, deposits and prepayments		**805**	466
Amounts due from related parties		**160,944**	156,726
Total non-current assets		**1,548,596**	1,592,551
Current assets			
Inventories		**51,425**	57,068
Trade receivables	*8*	**133,652**	71,543
Other receivables, deposits and prepayments		**12,776**	15,340
Amounts due from related parties		**80,932**	71,457
Financial assets at fair value through profit or loss		**94,156**	129,848
Term deposits		**50,708**	696
Restricted bank deposit		**2,828**	–
Cash and cash equivalents		**523,027**	497,061
Total current assets		**949,504**	843,013
Total assets		**2,498,100**	2,435,564
EQUITY			
Equity attributable to owners of the Company			
Share capital		**123**	123
Share premium		**435,304**	435,304
Other reserves		**875,958**	870,779
Treasury shares		**(8,000)**	–
Accumulated losses		**(924,291)**	(1,050,496)
		379,094	255,710
Non-controlling interests		**212,109**	187,718
Total equity		**591,203**	443,428

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Convertible bonds	*10*	**938,149**	–
Lease liabilities		**7,237**	6,240
Defined benefit plan obligation		**44,649**	49,111
Deferred income tax liabilities		**147,142**	151,056
Accruals, other payables and provisions		**45,310**	–
Total non-current liabilities		**1,182,487**	206,407
Current liabilities			
Trade payables	*9*	**150,543**	136,855
Convertible bonds	*10*	**–**	1,026,407
Accruals, other payables and provisions		**441,062**	520,757
Amounts due to related parties		**7,690**	10,757
Contract liabilities		**4,570**	2,148
Current income tax liabilities		**36,662**	17,849
Borrowings	*12*	**82,100**	69,429
Lease liabilities		**1,783**	1,527
Total current liabilities		**724,410**	1,785,729
Total liabilities		**1,906,897**	1,992,136
Total equity and liabilities		**2,498,100**	2,435,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

Hospital Corporation of China Limited ("the **Company**") was incorporated in the Cayman Islands on 21 February 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 hospitals; (ii) provision of management and consultation services to certain 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 16 March 2017.

2 MATERIAL ACCOUNTING POLICIES

This note provides a list of the material 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.

The consolidated financial statements of Hospital Corporation of China Limited have been prepared in accordance with IFRS Accounting Standards and disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets stated at their fair value as explained in the accounting policies:

– Financial instruments classified as other equity securities, and

– Convertible bonds.

The Group has applied the following new and amended IFRS Accounting Standards issued by the IASB to these financial statement for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 these financial statement.

3 SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (services and products). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

(i) General hospital services

Revenue from this segment is generated in the PRC and derived from hospital services including outpatient and inpatient services.

(ii) Hospital management services

Revenue from this segment is generated in the PRC and derived from providing comprehensive management services including operation management services, supply chain services and other ancillary services.

(iii) Sale of pharmaceutical products

Revenue from this segment is generated in the PRC and is mainly derived from sale of pharmaceutical products by the Group's retail pharmacy.

The Group assesses the performance of the operating segments based on a measure of earnings before interests, income tax, depreciation and amortisation ("EBITDA"), which is measured consistently with the Group's profit/loss before tax except that depreciation, amortisation, finance income and costs and other unallocated expenses and losses are excluded from such measurement.

Segment assets exclude goodwill, financial assets at FVPL and other unallocated head office and corporate assets as these assets are managed on a Group basis. Segment liabilities exclude borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following is an analysis of the Group's revenue and results, and assets and liabilities by reportable operating segments.

	General hospital services *RMB'000*	Hospital management services *RMB'000*	Sale of pharmaceutical products *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
2023						
Segment revenue	**1,326,280**	**257,860**	**11,476**	**(170,941)**	**3,058**	**1,427,733**
Inter-segment revenue	**–**	**(170,941)**	**–**	**170,941**	**–**	**–**
Revenue from external customers	**1,326,280**	**86,919**	**11,476**	**–**	**3,058**	**1,427,733**
EBITDA	**193,107**	**7,620**	**2,367**	**(386)**	**–**	**202,708**
Depreciation	**(41,218)**	**(3,279)**	**(49)**	**–**	**(627)**	**(45,173)**
Amortisation	**(10,048)**	**(7,509)**	**–**	**–**	**(132)**	**(17,689)**
Finance (costs)/income	**(1,033)**	**90**	**(21)**	**–**	**2,670**	**1,706**
Unallocated income, net					**74,652**	**74,652**
Profit/(loss) before income tax	**140,808**	**(3,078)**	**2,297**	**(386)**	**76,563**	**216,204**
As at 31 December 2023						
Segment assets	**811,188**	**588,770**	**16,236**	**(134,474)**	**470,512**	**1,752,232**
Goodwill	**58,495**	**687,373**	**–**	**–**	**–**	**745,868**
Total assets	**869,683**	**1,276,143**	**16,236**	**(134,474)**	**470,512**	**2,498,100**
Total liabilities	**526,095**	**189,412**	**3,222**	**(134,474)**	**1,322,642**	**1,906,897**

	General hospital services *RMB'000*	Hospital management services *RMB'000*	Sale of pharmaceutical products *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
2022						
Segment revenue	1,053,374	191,087	11,124	(113,484)	850	1,142,951
Inter-segment revenue	(4,000)	(109,484)	–	113,484	–	–
Revenue from external customers	1,049,374	81,603	11,124	–	850	1,142,951
EBITDA	123,962	(446,748)	5,949	–	–	(316,837)
Depreciation	(42,050)	(3,622)	(67)	–	(743)	(46,482)
Amortisation	(8,382)	(8,379)	–	–	(36)	(16,797)
Finance (costs)/income	(1,185)	138	(25)	–	6,432	5,360
Unallocated expense, net					(157,872)	(157,872)
Profit/(loss) before income tax	72,345	(458,611)	5,857	–	(152,219)	(532,628)
As at 31 December 2022						
Segment assets	784,635	674,829	19,603	(86,688)	297,317	1,689,696
Goodwill	58,495	687,373	–	–	–	745,868
Total assets	843,130	1,362,202	19,603	(86,688)	297,317	2,435,564
Total liabilities	506,604	151,755	3,415	(86,688)	1,417,050	1,992,136

4 REVENUE

Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
General healthcare services	**1,326,280**	1,049,374
Hospital management services	**86,919**	81,603
Sale of pharmaceutical products and others	**14,534**	11,974
	1,427,733	1,142,951
Timing of revenue recognition		
Point in time	**680,262**	583,394
Over time	**747,471**	559,557
Total	**1,427,733**	1,142,951

5 OTHER GAINS/(LOSSES), NET

	2023	2022
	RMB'000	*RMB'000*
Net fair value losses on convertible bonds	**(134,662)**	(119,491)
Net gains on the extension of convertible bonds	**222,920**	–
Net fair value gains on financial assets at FVPL	**2,230**	5,722
Others	**(2,067)**	(23,387)
	88,421	(137,156)

6 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 year ended 31 December 2023 (2022: 25% or 15%).

	2023	2022
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**50,627**	23,682
Deferred income tax	**(2,767)**	(27,713)
	47,860	(4,031)

7 EARNINGS/(LOSSES) PER SHARE

(i) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2023 and 2022.

	2023	2022
Total profit/(loss) attributable to owners of the Company *(RMB'000)*	**131,384**	(480,948)
Weighted average number of ordinary shares in issue *(in thousands)*	**137,467**	138,194
Basic earnings/(losses) per share *(in RMB)*	**0.956**	(3.480)

(ii) Diluted earnings/(losses) per share

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

	As at 31 December 2023 *RMB'000*
Total profit attributable to owners of the Company	131,384
Less:	
Net fair value losses on convertible bonds	(134,662)
Net gains on the extension of convertible bonds	222,920
Total profit used to determine diluted earnings/(losses) per share	43,126
Weighted average number of ordinary shares in issue (in thousands)	137,467
Adjustment for calculation of diluted earnings per share – Convertible bonds (in thousands)	64,694
Weighted average number of ordinary shares in issue and potential ordinary shares (in thousands)	202,161
Diluted earnings per share (in RMB)	0.213

Due to the Group's negative financial results during the period ended 31 December 2022, relative convertible bonds and shares held for share based payment scheme have anti-dilutive effect on the Group's losses per share. Thus, diluted losses per share is equivalent to the basic losses per share for the year ended 31 December 2022.

8 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**134,436**	79,179
Less: loss allowance	**(784)**	(7,636)
Trade receivables, net of loss allowance	**133,652**	71,543

As at 31 December 2023 and 2022, the aging analysis based on invoice date of the trade receivables was as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
1 – 90 days	**129,112**	78,040
91 – 180 days	**3,871**	221
181 days – 1 year	**739**	619
Over 1 year	**714**	299
	134,436	79,179

9 TRADE PAYABLES

An aging analysis, based on invoice date, of trade payables as at the consolidated statement of financial position dates are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**127,353**	119,820
91 to 180 days	**14,236**	8,383
181 days to 1 year	**82**	3,775
Over 1 year	**8,872**	4,877
	150,543	136,855

10 CONVERTIBLE BONDS

The Company issued certain convertible bonds in 2018, which were accounted for financial liabilities at FVPL.

The movement of the convertible bonds is as follows:

	Convertible bonds *RMB'000*
As at 1 January 2022	906,916
Amortisation of premium/(discount) with principal amount at initial recognition	(1,527)
Fair value change	121,018
As at 31 December 2022	1,026,407
As at 1 January 2023	**1,026,407**
Amortisation of premium/(discount) with principal amount at initial recognition	**(890)**
Fair value change	**(87,368)**
As at 31 December 2023	**938,149**

11 DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2023 (2022: nil).

12 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowing		
– Secured but unguaranteed	**62,100**	59,000
– Unsecured but guaranteed	**20,000**	–
– Unsecured and unguaranteed	**–**	10,429
Total borrowings	**82,100**	69,429

BUSINESS OVERVIEW

Business positioning

Based on the strategic background of the construction of Healthy China, China's medical reform is moving forward rapidly towards the goal of comprehensively establishing a high-quality and efficient medical and health service system with Chinese characteristics. As a professional medical service technology group, the Group, in the face of opportunities and challenges of times, adheres to the concept of professional, standardised and differentiated management services. During the year under review, through scientific management of the hospitals owned, managed or founded by the Group (the "**Group Hospital(s)**"), on the one hand, we continued to improve the quality of the Group's comprehensive medical and health services and promoted the development of the Group Hospitals in the direction of standardisation, specialisation and branding, and on the other hand, we are striving to explore the management plan of non-public medical institutions with Chinese characteristics in a systematic and standardised manner.

Industry policy

In 2023, the government thoroughly implemented the decision and deployment of the Healthy China Strategy, and promoted the comprehensive establishment of a high-quality and efficient medical and health service system with Chinese characteristics. The General Office of the State Council issued the Opinions on Further Improving the Medical and Health Service System (《關於進一步完善醫療衛生服務體系的意見》), proposing that, by 2035, an integrated medical and health service system that is compatible with the basic realization of the socialist modernization, has a complete system, a clear division of labor, complementary functions, continuous coordination, efficient operation and resilience.

Following the milestones set forth in the Opinions on Further Improving the Medical and Health Service System(《關於進一步完善醫療衛生服務體系的意見》), and focusing on the issues of medical quality and safety, which are considered to be fundamental and crucial for promoting the construction of a Healthy China, the National Health Commission and the National Administration of Traditional Chinese Medicine issued the Comprehensive Action Plan for Enhancing the Quality of Healthcare (2023-2025) (《全面提升醫療質量行動計劃(2023-2025年)》), which put forward 28 specific measures and five special actions in the dimensions of basic quality and safety management, management of key aspects and behaviors and the construction of the quality and safety management system, and determined to commence the three-year Comprehensive Action Plan for enhancing the quality of healthcare across the PRC.

On September 20, 2023, the National Health Commission, the National Administration of Traditional Chinese Medicine, and the National Disease Control and Prevention Administration jointly issued the Technical Specifications for National Medical Service Projects (2023 Edition) (《全國醫療服務項目技術規範(2023年版)》), which requires unified industry standards, guides medical institutions to standardise charging behaviour, actively promotes cost measurement of medical institutions, establishes a scientific and reasonable performance appraisal system that reflects the value of technical labour, and strengthens the refined management of medical institutions.

Meanwhile, the National Health Commission has taken the lead in the inter-ministerial joint mechanism for the rectification of unethical practices in the field of medicine purchasing and sales and in medical services, to take forward the full-chain and full-coverage of the rectification in the medical field, and together with the member units, jointly issued the Notice of Adjustment of the Membership and Division of Responsibilities for the Inter-Ministerial Joint Mechanism for The Rectification of Unethical Practices in The Field of Medicine Purchasing and Sales and in Medical Services (《關於調整糾正醫藥購銷領域和醫療服務中不正之風部際聯席工作機制成員單位及職責分工的通知》), which mainly refers to five parts: 1) improving and perfecting the work system for rectifying unethical practices in the new era; 2) rectifying unethical practices in the key areas of the industry; 3) strengthening the supervision and management of the medical insurance funds; 4) thoroughly controlling the disruptions in the healthcare field; and 5) practically facilitating the processes to achieve practical results.

The General Office of the State Council also issued the Implementation Opinions on Strengthening the Regular Supervision over the Use of the Medical Insurance Funds (《關於加強醫療保障基金使用常態化監管的實施意見》), which promotes the normalization of unannounced inspections, campaigns and daily supervision, the combination of on-site and off-site supervision through the use of modern information technology, the promotion of the normalization of intelligent supervision and control, the continuous improvement of the social supervision system, the accessibility of the channels for reporting and complaining, and the comprehensive promotion of the implementation of the reporting incentive system.

The successive introduction of the aforesaid national policies and specific measures demonstrates that China's healthcare reform process is still firmly advancing towards its goals. According to the relevant interpretation of the policy documents, China's healthcare reform will focus on the public hospital reform oriented to public welfare, promote the transformation of China's healthcare development towards a greater emphasis on intrinsic development, service models shifting towards a greater emphasis on systemic continuity, and the management approach to one that focuses more on scientific governance, in order to build a high-quality and highly efficient medical and health service system with Chinese characteristics.

BUSINESS REVIEW

General hospital service

Our five Group Hospitals have a total of 1,650 authorised beds, with over 2 million outpatient visits and over 90,000 inpatient visits in 2023. The Group has initially established a non-public hospital group brand within the Yangtze River Delta region of China, which has a certain local influence and scale effect.

Based on the economic environment and the backdrop of medical reform, non-public medical institutions generally face a severe competition pattern and different degrees of development difficulties. Amid the fierce market competition, the Group Hospitals brave difficulties, and the revenue from general hospital services increased by 26.4% year-on-year, showing excellent business resilience and solid operation foundation. Among them, Yangsi Hospital, as the largest non-public hospital in Shanghai, has made outstanding contributions, while Jiande Hospital of Traditional Chinese Medical Co., Ltd.* (建德中醫院有限公司) ("**Jiande Hospital**"), as a for-profit medical institution featuring traditional Chinese medicine diagnosis and treatment, has also passed the Grade A Class II traditional Chinese medicine hospital evaluation during the year and started a new stage of development.

Hospital management service

As a professional medical service technology group, the management service business involves various aspects such as medical management, supply chain management, informatization construction, financial management, internal control and compliance management. We closely follow the development trend of the industry, and continue to create differentiated competitive advantages based on the different characteristics of various hospitals at all levels, so as to comprehensively promote the continuous improvement of the comprehensive strength of hospitals and the high-quality development of Group Hospitals.

In term of management services, the Group assists hospitals in formulating medium and long-term strategic development plans according to local conditions and supervising their implementation, provides systematic management methods in medical quality and safety, emergency response, operation, medical insurance, performance, training and other fields, implements the target management responsibility system of hospital administrators and department directors, stimulates the enthusiasm and subjective initiative of high and middle-level staff in hospitals, encourages and guides management and technological innovation, and improves management efficiency. Under the continuous scientific management of the Group, the Group Hospitals are developing steadily and demonstrating a diversified development pattern with different specialties. For example, Zhejiang Jinhua Guangfu Oncological Hospital*(浙江金華廣福腫瘤醫院)("**Jinhua Guangfu Hospital**") was rated as a Class III Grade B oncology specialty hospital by the Health Commission of Zhejiang Province, and the urology and other disciplines of Cixi Honghe Hospital*(慈溪弘和醫院)("**Cixi Hospital**") have certain popularity in the local area. By building a number of advantageous disciplines such as stomatology, ophthalmology and geriatrics, Yongkang Hospital*(永康醫院) has not only achieve good economic benefits, but also win the reputation of surrounding patients.

In order to achieve the goal of standardised and high-quality development of the Group Hospitals, in 2023, the Group emphasised on the premise of stable cash flow and compliant operation, and continued to conduct work from the three aspects of safety operation, supply chain management and informatization construction:

Strengthening Characteristic Specialty based on safety operation

- We supervise the hospital to formulate the annual work plans related to medical quality and safety, practically establish and improve the quality and safety management system of medical treatment, construct related responsibility mechanism, implement various specific tasks, strengthen personnel education, cultivate culture of pursuing medical quality and safety, and then improve the level of medical quality and safety.

- We supervise the hospital to carry out self-inspection and self-correction of safety operation in fire protection, infrastructure and other fields, investigate various hidden dangers in safety production, and introduce external professional resources to conduct technical evaluation and assist in rectification.

- The high-quality development of non-public medical institutions must take characteristic specialty as a breakthrough point, guide the Group Hospitals to formulate medium and long-term development strategies, form differentiated competition with local public medical resources, and integrate into the medical and health service system advocated by the government with complementary functions and balanced layout.

Strengthening the construction of anti-corruption system and standardising the development of supply chain

According to the reform policies and anti-corruption trend in the pharmaceutical field, the normalized management of the supply chain of non-public medical institutions is imperative. In 2023, by improving the procurement management system and process, the supply chain subsidiaries of the Group promoted the standardisation of procurement contracts, and initially formed a group procurement centre as platform, which effectively solved the problem that the relevant organisational structure and management standards of each Group Hospitals were difficult to unify; At the same time, the Group will accelerate taking over the procurement affairs of the Group Hospitals to ensure the quality and on-time supply of drugs and medical devices of the Group Hospitals. As of December 31, 2023, the Group's procurement centre has organised and implemented a total of 43 important procurement projects, including 26 medical device projects, 17 information system projects and nine other major capital expenditure projects, and has established cooperative relations with 55 suppliers.

In 2023, the Group hired a criminal compliance expert team to carry out the construction of anti-corruption system in the form of on-site visits and other investigations, identify and formulate a list of compliance risks, sort out and improve the management and control process, and unblock the reporting and complaint channels for malpractices in the field of medicine purchase and sales and medical services.

Improving informatization construction to empower high-quality development of hospitals

In 2023, the Group continued to increase investment, improve hospital information infrastructure and introduce intelligent hospital management tools. We have established a virtual intranet connecting all the Group Hospitals, and implemented a unified hospital resource planning (HRP) platform to provide information support for the linkage of medical advice and medical consumables, business and financial integration. Establishing an independent and controllable information operation and maintenance system to provide more reliable, stable and efficient support for the core business systems of each hospital. In line with the needs of improving quality and efficiency of medical care, the information team independently developed three subsystems, including performance appraisal and quality management, and promoted them to the Group Hospitals. The Group cooperated with external expert teams to take the lead in piloting the DRGs/DIP process control system and AI-assisted reading system to further ensure compliant and high-quality medical services.

2023 was the first year after the adjustment to the control measures for the COVID-19 pandemic. The Group and the Group Hospitals have withstood the test of the pandemic. Currently, in the face of the deepening reform of China's medical and health service system, we will closely follow the policy requirements and guidelines for non-public medical institutions, pay attention to key issues such as medical quality, medical insurance management, anti-corruption system construction, and social responsibility fulfilment. We will make use of the advantages and experience of the Group's operation and management to improve the business and asset quality of the Group Hospitals, expand the quantity and scale of the custody hospitals in a timely manner, consolidate high-quality targets, promote the healthy and sustainable development of the Group, and create long-term value for shareholders.

RECENT DEVELOPMENTS

Time	Event
June 6, 2023	On 6 June 2023, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of HK$468 million issued by the Company to Vanguard Glory on March 5, 2018 (the "**Vanguard Glory Convertible Bonds**"), the Company and Vanguard Glory entered into the deed of amendment in relation to the alteration of certain terms of the Vanguard Glory Controvertible Bonds (the "**Vanguard Glory Deed of Amendment**") (the "**Vanguard Glory Alteration of Terms**"), subject to and effective from fulfilment of the Vanguard Glory Conditions Precedent. Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 29 December 2023 to 30 September 2025.

Save as revised by the Vanguard Glory Alteration of Terms, all of the terms and conditions of the Vanguard Glory Convertible Bonds remain unchanged and in full force.

On 6 June 2023, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of HK$773,879,717 issued by the Company to Hony Capital Fund VIII on 7 August 2018 (the "**Hony Fund Convertible Bonds**"), the Company and Hony Fund VIII entered into the deed of amendment in relation to the alteration of certain terms of the Hony Fund Convertible Bonds (the "**Hony Fund Deed of Amendment**") (the "**Hony Fund Alteration of Terms**"), subject to and effective from fulfilment of the Hony Fund Conditions Precedent.

Pursuant to the Hony Fund Alteration of Terms, the maturity date of the Hony Fund VIII Convertible Bonds shall be extended from 7 August 2023 to 30 September 2025.

Save as revised by the Hony Fund Alteration of Terms, all of the terms and conditions of the Hony Fund VIII Convertible Bonds remain unchanged and in full force.

As at the date of this announcement, the respective principal amount of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds remains outstanding in full, and Vanguard Glory and Hony Fund VIII has not exercised its respective conversion rights.

At the 2023 Extraordinary General Meeting of the Company convened on July 31, 2023, the Vanguard Glory Deed of Amendment, the Vanguard Glory AIteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated thereunder, the Hony Fund Specific Mandate and the Vanguard Glory Specific Mandate have been approved.

Further details, please refer to the announcements of the Company dated June 6, 2023 and July 31, 2023 and the circular of the Company dated July 7, 2023.

July 31, 2023

Pursuant to the deed of amendment (the "**Deed of Amendment**") executed by the Company and Leap Wave Limited ("**Leap Wave**") on 12 August 2021 for the convertible bonds with an aggregate principal amount of HK$800,000,000 issued by the Company to Leap Wave on 27 February 2019 (the "**Leap Wave Convertible Bonds**") and the alteration of terms contemplated thereunder, with prior written consent of the Company and Leap Wave, the outstanding Leap Wave Convertible Bonds may be redeemed in whole by the Company prior to the maturity date of the Leap Wave Convertible Bonds at the mutually agreed early redemption amount (the "**Early Redemption Amount**") as calculated in accordance with the formula as disclosed in the circular of the Company dated September 16, 2021, and the Early Redemption Amount may be settled in instalments. On October 15, 2021, the Company served a redemption notice to Leap Wave to request for early redemption on all outstanding Leap Wave Convertible Bonds, pursuant to which, the Company will pay the Early Redemption Amount, being HKD784 million, to Leap Wave. As at July 31, 2023, the Company has paid HKD695 million to Leap Wave, and HKD89 million remain unpaid (the "**Remaining Early Redemption Amount**").

Given the uncertainty in the economic environment and fierce competition in the medical industry, to safeguard the health of the Company's financial cash flow, on July 31, 2023, the Company has served a written notice to Leap Wave stating that the payment of the Remaining Early Redemption Amount and interests are intended to be paid in two instalments that an amount of HKD39 million shall be paid on or before July 31, 2024 and an amount of HKD50 million shall be paid on or before July 31, 2025. Interests shall be calculated based on the actual number of days accrued from the date on which such sum being due and payable to the date on which the full amount of such sum has been duly paid by the Company and on the basis of 360 days per year in accordance with the convertible bonds instrument executed by the Company on 27 February 2019 as revised by the Deed of Amendment.

Following the early redemption of the Leap Wave Convertible Bonds, there will be no principal amount of the Leap Wave Convertible Bonds outstanding and no Leap Wave Convertible Bonds have been or will be converted into Shares.

Upon the payment of the Early Redemption Amount (including the Remaining Early Redemption Amount) in full, the Leap Wave Convertible Bonds will be cancelled in whole and the Company will be discharged from all of the obligations under and in respect of the Leap Wave Convertible Bonds.

For details, please refer to the announcements of the Company dated August 12, 2021, October 8, 2021, October 15, 2021 and July 31, 2023 and the circular of the Company dated September 16, 2021.

November 3, 2023	On November 3, 2023, the Company entered into a guarantee agreement (the "**Guarantee Agreement**") in favour of Nanyang Commercial Bank (China) Limited Beijing Branch* (南洋商業銀行(中國)有限公司北京分行) (the "**Bank**"), pursuant to which the Company agreed to provide a corporate guarantee for Jinhua Guangfu Hospital, which is managed by Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd* (浙江弘和致遠醫療科技有限公司) in connection with the repayment obligations up to a maximum outstanding amount of RMB50 million (the "**Corporate Guarantee**"), since the corporate guarantee provided by Company for Jinhua Guangfu Hospital in connection with the repayment obligations up to a maximum outstanding amount of RMB50 million (the "**2022 Corporate Guarantee**") which was about to expire in November 2023 so hat Jinhua Guangfu Hospital repaid the loans in full, which resulted in the termination of the 2022 Corporate Guarantee on 2 November 2023. The Corporate Guarantee is provided as a security to enable Jinhua Guangfu Hospital to obtain funds from the Bank for the purpose of maintaining its day-to-day business operations, supporting its development, and further improving its competitiveness in the healthcare sector. The Group is able to exercise its influence over the operational and managerial decisions of Jinhua Guangfu Hospital to keep track of the funds account of Jinhua Guangfu Hospital, closely monitor the operational stability and cash flow of Jinhua Guangfu Hospital, and supervise, manage and ensure the fulfillment of the repayment obligations. The Group has made the decision not to charge any fee from providing the Corporate Guarantee to Jinhua Guangfu Hospital in consideration of the contractual relationship between the Group and Jinhua Guangfu Hospital as well as the overall interests of the Group. As at 31 December 2023, the Corporate Guarantee remains effective.

According to Rule 14.22 of the Listing Rules, the Stock Exchange will aggregate a series of transactions and treat them as if there were one transaction if they are all completed within a 12-month period or are otherwise related.

On July 24, 2019, the Company entered into a loan agreement (the "**Existing 2019 Loan Agreement**") with Jinhua Guangfu Hospital, pursuant to which the Company has conditionally agreed to grant the loan in a principal amount of RMB80 million to Jinhua Guangfu Hospital at an interest rate of 5.23% per annum, which is subject to adjustment according to the applicable benchmark interest rates as published by the People's Bank of China from time to time, for a term of 36 months from the date of the relevant drawdown (the "**Existing 2019 Loan**"). As at 31 December 2023, the Existing 2019 Loan has been drawn down in full by Jinhua Guangfu Hospital and the outstanding principal amount of the Existing 2019 Loan was RMB80 million.

On November 20, 2020, Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司) ("**Tibet Honghe Zhiyuan**"), a wholly-owned subsidiary of the Company, entered into a loan agreement (the "**Existing 2020 Loan Agreement**") with Jinhua Guangfu Hospital, pursuant to which Tibet Honghe Zhiyuan has conditionally agreed to grant the loan to Jinhua Guangfu Hospital (the "**Existing 2020 Loan**") for an availability period of three years from the date of signing of the Existing 2020 Loan Agreement and a term of one year from the date of the relevant drawdown of each installment of the loan. The maximum principal amount is RMB100 million at an interest rate of 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.

In considering the cash management requirements of the Company, on November 3, 2023, Tibet Honghe Zhiyuan and Jinhua Guangfu Hospital entered into a supplemental agreement (the "**2023 Supplemental Loan Agreement**"), pursuant to which the revolving loan credit limit granted by Tibet Honghe Zhiyuan to Jinhua Guangfu Hospital was revised from RMB100 million to RMB20 million. As at 31 December 2023, the outstanding principal amount of the Existing 2020 Loan was RMB20 million.

Since the Existing 2019 Loan and Existing 2020 Loan (collectively, the "**Existing Loans**") and the transactions contemplated under the Guarantee Agreement constitute financial assistance provided by the Company to Jinhua Guangfu Hospital, the Existing Loans and the transactions contemplated under the Guarantee Agreement are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Guarantee Agreement, when aggregated with the Existing Loans, is more than 5% but less than 25%, the transactions contemplated under the Guarantee Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Please refer to the announcements of the Company dated July 24, 2019, November 20, 2020, September 27, 2022, November 11, 2022, November 3, 2023 and November 14, 2023 for further details.

EVENTS AFTER THE YEAR UNDER REVIEW

The Group had no significant events after December 31, 2023 and up to the date of this announcement.

REVIEW OF 2023 ANNUAL PERFORMANCE

Results of Operations

Revenue

Our revenue increased by approximately 24.9% from approximately RMB1,143.0 million in 2022 to approximately RMB1,427.7 million in 2023. 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,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**1,427,733**	1,142,951
– Hospital management services	**86,919**	81,603
– General hospital services	**1,326,280**	1,049,374
– Sale of pharmaceutical products	**11,476**	11,124
– Others	**3,058**	850

Hospital management services

Revenue from our hospital management services and supply chain service and other comprehensive management services, which consists of the provision of hospital management services to Cixi Hospital and Jinhua Guangfu Hospital, increased by approximately 6.5% from approximately RMB81.6 million in 2022 to approximately RMB86.9 million in 2023. The increase in revenue was mainly due to the increment in the revenue from comprehensive management services (such as hospital management services and supply chain services) received from hospital.

General hospital services

Revenue from our general hospital services segment increased by approximately 26.4% from RMB1,049.4 million in 2022 to approximately RMB1,326.3 million in 2023. Revenue from this segment increased mainly due to an increase of RMB276.9 million in the revenue from the provision of general hospital services by hospital to individual patients as a result of the increase in the number of out-patient and in-patient visits of hospital in 2023.

Sale of pharmaceutical products

Revenue from sale of pharmaceutical products was derived from the business of Dajia Medicines and Jinhua Pharmacy. Revenue from sale of pharmaceutical products increased by RMB0.4 million from approximately RMB11.1 million in 2022 to approximately RMB11.5 million in 2023, mainly due to an increase in Jinhua Pharmacy’s income from the supply of pharmaceutical products to customers.

Cost

Our cost increased by approximately 19.8% from approximately RMB992.1 million in 2022 to approximately RMB1,188.4 million in 2023. The increase in costs was mainly due to an increase in related cost of inventories when compared with the Corresponding Period of Previous Year.

Administrative expenses

Our administrative expenses increased by approximately 35.8% from approximately RMB95.2 million in 2022 to approximately RMB129.2 million in 2023. The increase in administrative expenses was mainly attributable to the increase in related hospital of employee benefit expenses and technology operation related expenses when compared with the Corresponding Period of Previous Year.

Other gains/(losses), net

Our other gains/(losses), net, an increase by approximately RMB225.6 million from other losses, net of RMB137.2 million in 2022 to other gains, net of RMB88.4 million in 2023. The increase in other gains, net was mainly attributable to the increase in gain on extension of convertible bonds in 2023 of RMB222.9 million, and it was offset by the fair value loss and other changes of convertible bonds of approximately RMB15.2 million.

Other income

We recorded other income of approximately RMB5.9 million and approximately RMB16.6 million for the years ended December 31, 2022 and 2023, respectively, representing a year-on-year increase of approximately 179.9%. The increase was mainly due to the increase in income from government grants.

Finance income and finance costs

Our finance income decreased by approximately RMB4.8 million from approximately RMB14.6 million in 2022 to approximately RMB9.8 million in 2023, and such decrease was mainly attributable to a decrease in foreign exchange gains arising from cash and cash equivalents of approximately RMB5.5 million.

Our finance costs decreased by approximately RMB1.1 million from approximately RMB9.2 million in 2022 to approximately RMB8.1 million in 2023, mainly due to a decrease of approximately RMB2.0 million in interest expenses on bank borrowings.

Income tax

We recorded income tax expenses of approximately RMB47.9 million for the year ended December 31, 2023, and income tax credit of approximately RMB4.0 million for the year ended December 31, 2022. The changes of approximately RMB51.9 million was mainly attributable to the decrease of approximately RMB24.9 million in deferred income tax expenses, and the increase in current income tax expenses of approximately RMB26.9 million.

Earning for the year

We recorded a net profit of approximately RMB168.3 million for the year ended December 31, 2023, representing an increase of approximately RMB696.9 million from the net loss of approximately RMB528.6 million for the corresponding period, mainly due to an increase in revenue from general hospital services provided by hospital to individual patients and the increase in gain on extension of convertible bonds.

Discussion of certain items from the consolidated statement of financial position

Cash and cash equivalents

We had cash and cash equivalents of approximately RMB497.1 million and approximately RMB523.0 million as at December 31, 2022 and 2023, respectively. The increase of approximately RMB25.9 million in 2023 was primarily attributable to the decrease in financial assets at fair value through profit or loss.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments decreased by approximately RMB2.2 million from approximately RMB15.8 million as at December 31, 2022 to approximately RMB13.6 million as at December 31, 2023, primarily due to a decrease of RMB7.2 million for the prepayments.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss as at December 31, 2023 amounted to approximately RMB94.2 million, mainly representing monetary funds. The monetary funds held by us are low-risk products.

The following table sets out the changes in the monetary funds for the year ended December 31, 2023.

	Year ended December 31, 2023 *RMB'000*
Opening balance	**129,848**
Additions	**79,172**
Settlements	**(117,094)**
Gains recognised in other gains, net	**2,230**
Closing balance	**94,156**

During the year under review, we bought monetary funds from seven 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 seven 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.

The details of monetary funds that we acquired from seven financial institutions during the year under review are set out below:

Financial assets at fair value through profit or loss	**Name of monetary funds**	**Balances at December 31, 2023**
Monetary Fund	Yinhua Duolibao Money Market Fund B (銀華多利寶B)	15,619,502
Monetary Fund	Da Cheng Fund (大成基金)	10,335,762
Structured Deposit	Structured Deposit (結構性存款)	40,000,000
Monetary Fund	MANULIFE TEDA Money Market Fund (泰達宏利貨幣市場基金)	953,967
Monetary Fund	HFT Monetary B (海富通貨幣B)	920,086
Monetary Fund	MANULIFE TEDA Money Market Fund (泰達宏利貨幣市場基金)	11,326,645
Monetary Fund	E Fund Wealth (易方達財富)	15,000,000

The financial assets that the Company invested in during the year ended December 31, 2023 are monetary funds with floating rates, which carry lower expected return of principal and risk as compared to stocks or corporate debt issues. These monetary funds focus on short-term securities in the capital markets, and invest in financial instruments such as certificates of deposit and short-term commercial papers with maturities not exceeding one year.

The fundamental objectives of our financial management are safety, liquidity and profitability. In particular, we endeavor to maintain appropriate levels of risk and liquidity while satisfying the capital needs of the Group's operations and strategic developments, with the goal of enhancing the efficiency and profitability on the use of capital. These monetary funds offer liquidity, stable returns and low cost and fees, which allow the Company to meet the redemption needs from time to time in compliance with our financial management principles in managing the Company's idle funds.

Going forward, the Directors consider that it is in the Company's best interest to continue to invest in monetary funds based on our business and operational needs.

Accruals, other payables and provisions

Our accruals, other payables and provisions were approximately RMB520.8 million and approximately RMB486.4 million as at December 31, 2022 and 2023, respectively. The accruals, other payables and provisions decreased by approximately RMB34.4 million, mainly due to (i) the decrease in the early redemption payables for convertible bonds of RMB17.5 million, and (ii) the decrease in employee benefit expense payables of RMB26.0 million.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, our total equity was approximately RMB591.2 million (2022: approximately RMB443.4 million). As at December 31, 2023, we had current assets of approximately RMB949.5 million (2022: approximately RMB843.0 million) and current liabilities of approximately RMB724.4 million (2022: approximately RMB1,785.7 million). As at December 31, 2023, our current ratio was approximately 1.31, as compared with approximately 0.47 as at December 31, 2022.

Our current assets increased by approximately RMB106.5 million from approximately RMB843.0 million as at December 31, 2022 to approximately RMB949.5 million as at December 31, 2023, primarily due to the increase in cash and cash equivalents of approximately RMB25.9 million and the increase in term deposit of RMB50.0 million. Our current liabilities decreased by approximately RMB1,061.3 million from approximately RMB1,785.7 million as at December 31, 2022 to approximately RMB724.4 million as at December 31, 2023, primarily due to (i) the decrease of RMB1,026.4 million in convertible bonds which are due within one year, and (ii) the decrease of RMB79.7 million in accruals, other payables and provisions.

Our primary uses of cash in 2023 were payment for working capital. 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 approximately RMB82.7 million, consisting of approximately RMB185.6 million in net cash inflows generated from our operations before changes in working capital, net cash outflows of approximately RMB76.4 million relating to changes in working capital, cash outflows on income tax paid of approximately RMB31.6 million and interests received of approximately RMB5.0 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of approximately RMB216.2 million, adjusted for non-cash and non-operating items, mainly including gains on fair value change arising from the change in value of convertible bonds of approximately RMB88.3 million, and depreciation of property, plant and equipment and amortization of intangible assets of approximately RMB62.9 million. Our net cash outflows relating to changes in working capital were primarily attributable to the increase in trade payable of approximately RMB9.6 million, the decrease in accruals, other payables and provisions of approximately RMB15.9 million, and the increase in trade receivable of approximately RMB61.2 million.

In the year under review, we had net cash outflows from investing activities of approximately RMB15.5 million, which primarily comprised the payment for property, plant and equipment of approximately RMB9.3 million.

Cash and Borrowings

We had cash and cash equivalents of approximately RMB497.1 million and approximately RMB523.0 million as at December 31, 2022 and 2023, respectively. Our borrowings amounted to approximately RMB82.1 million as at December 31, 2023 (as at December 31, 2022: approximately RMB69.4 million). Of our borrowings, approximately RMB69.0 million bear interest at a fixed rate of 3.4% and RMB13.1 million bear interest at a fixed rate of 3.2%. The table below sets forth the maturity profile of our borrowings in the years indicated:

	Bank borrowings	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**82,100**	69,429
	82,100	69,429

As at December 31, 2023, the net gearing ratio of the Company was approximately 3.3% (net gearing ratio equals borrowing balance divided by total assets). Our Directors believe that, after taking into account the financial resources available to us, we have sufficient working capital for our requirements. Save as disclosed in this announcement, the Group did not have any other material contingent liabilities or guarantees as at December 31, 2023.

FUTURE PROSPECTS

China's medical industry is large in scale with high development potential. Although the current medical reform has a significant impact on the traditional medical service industry, however, we believe that such impact aims to promote the reasonable and standardised development of the industry, and will not lead to a shrinking demand for high-quality medical services. How to scientifically and effectively manage comprehensive medical institutions is still a common issue in the industry. Through the practise of hospital management services, the Group has built a team of talents with rich management experience and professional skills, and takes the Group Hospitals as the core service object to continuously improve the management system, with a view to forming an integrated solution that can effectively stimulate the high-quality development of non-public medical institutions in China.

With the deepening of China's medical reform, the Group will continue to explore the development model of non-public medical groups, seek strategic cooperation with Internet medical platforms and commercial insurance companies, form complementary resources and industrial linkage, use Internet and artificial intelligence technology to carry out personalised health management services, explore the development and application of wearable devices, intelligent health electronic products and health care mobile application services, continue to improve the competitive advantages and brand value of the Group Hospitals, and strive to provide people with safe, effective, convenient and economical medical services.

We will also pay attention to data economic opportunities. Under the premise of protecting patient privacy and abiding by other compliance requirements, we will accumulate clinical data, operational data and material data, and try to integrate resources and technical advantages in the financial and technological fields, with a view to building a business ecosystem that organically combines medical services, big data management and livelihood finance.

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, 2023 until December 31, 2023.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2023, 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, 2023, 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, 2022 and 2023, Impeccable Success Limited has pledged its paid-up equity interests in Zhiyuan Medical to Industrial and Commercial Bank of China Jinhua Economic Development Zone Branch to secure certain loans granted to Jinhua Guangfu Hospital with a maximum amount of RMB412.5 million.

Zhiyuan Medical 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 Guangfu Hospital with a maximum amount of RMB550.0 million. As at December 31, 2023, the principal amount of loan balance of Jinhua Guangfu Hospital was RMB145.0 million.

As at December 31, 2023, Company has provided a corporate guarantee for Jinhua Guangfu Hospital and Nanyang Commercial Bank (China) Limited Beijing Branch in connection with the repayment obligations up to a maximum outstanding principal amount of RMB50 million. As at December 31, 2023, the principle amount of loan balance of Jinhua Guangfu Hospital was RMB40.0 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023.

HUMAN RESOURCES

As at December 31, 2023, we had a total of 1,457 employees (December 31, 2022: 1,422). 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, 2023, the total employee benefits expenses (including Directors' remuneration) were approximately RMB430.5 million (2022: approximately RMB380.8 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. As required by PRC laws and regulations, our employees participate in several government-run or-regulated benefit programs, including but not limited to retirement benefit programs, housing provident fund, medical insurance and other employee social insurance programs. The Company has adopted certain share-based payment 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.

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

Save for the 1,079,000 Shares purchased by the SAS Trustee pursuant to the Share Award Scheme, during the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Save as disclosed herein, during the year ended December 31, 2023, 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 C1 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 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 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.

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 C3 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, 2023.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference. The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhou Xiangliang (Chairman), Mr. Dang Jinxue and Mr. Shi Luwen. The final results of the Group for the year ended December 31, 2023, 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.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income, and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

* *For identification purposes only*

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

Beijing, China, March 26, 2024

As at the date of this announcement, the Directors of the Company are Mr. CHEN Shuai, Mr. PU Chengchuan and Ms. PAN Jianli being the executive Directors; 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.