弘和仁愛
HOSPITAL CORPORATION

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 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Director(s)**") 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 31 December 2024 (the "**year under review**"), together with the comparative figures in 2023.

FINANCIAL HIGHLIGHTS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**1,442,292**	1,427,733
Gross profit margin	**19.1%**	16.8%
Adjusted gross profit margin[(1)]	**20.3%**	18.3%
Profit for the year	**13,790**	168,344
Adjusted profit for the year[(2)]	**141,924**	104,120
Basic (losses)/earnings per share	**(0.282)**	0.956
Adjusted items		
Expenses of share-based awards[(2)(i)]	**(370)**	230
Depreciation and amortisation of identifiable assets identified in acquisitions[(2)(iii)]	**17,613**	22,289
Net fair value losses and extension gains on convertible bonds and foreign exchange losses	**123,787**	(86,743)
The reversal of deferred tax liabilities caused by the business combination [(2)(iv)]	**(12,896)**	–

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 RMB13.8 million during the year ended 31 December 2024. 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 reversal of the relevant expenses of share-based awards of RMB0.4 million; (ii) the fair value losses on convertible bonds of approximately RMB122.2 million and exchange loss of approximately RMB1.6 million mainly arising from cash and cash equivalents and other foreign currency assets and liabilities; (iii) depreciation and amortisation of identifiable assets identified in acquisitions of RMB17.6 million, and (iv) the reversal of deferred tax liabilities caused by the business combination of RMB12.9 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 2024

(Expressed in Renminbi ("RMB"))

	Notes	2024 *RMB'000*	2023 *RMB'000*
Revenue	*3*	**1,442,292**	1,427,733
Cost of revenue		**(1,166,473)**	(1,188,373)
Gross profit		**275,819**	239,360
Other income	*4*	**15,178**	18,394
Selling expenses		**(161)**	(1,568)
Administrative expenses		**(108,954)**	(129,232)
Impairment losses on financial assets, net		**(21)**	884
Operating profit		**181,861**	127,838
Finance (costs)/income, net		**(120,592)**	88,366
Profit before taxation		**61,269**	216,204
Income tax	*5*	**(47,479)**	(47,860)
Profit for the year		**13,790**	168,344
Attributable to:			
Owners of the Company		**(38,628)**	131,384
Non-controlling interests		**52,418**	36,960
Profit for the year		**13,790**	168,344
(Losses)/earnings per share:			
– Basic (losses)/earnings per share (in RMB)	*6*	**(0.282)**	0.956
– Diluted (losses)/earnings per share (in RMB)	*6*	**(0.282)**	0.213

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in RMB)

	Notes	2024 RMB'000	2023 RMB'000
Profit for the year		**13,790**	168,344
Other comprehensive income for the year:			
Item that will not be subsequently reclassified to profit or loss			
– Remeasurement of defined benefit plan obligations, net of tax		**(10,061)**	13,184
Total comprehensive income for the year		**3,729**	181,528
Attributable to:			
Owners of the Company		**(38,628)**	131,384
Non-controlling interests		**42,357**	50,144
Total comprehensive income for the year		**3,729**	181,528

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024

(Expressed in RMB)

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000 (restated)
Non-current assets			
Property and equipment		**170,801**	183,004
Right-of-use assets		**42,079**	43,433
Intangible assets		**1,141,844**	1,152,245
Amounts due from related parties		**120,944**	160,944
Deferred tax assets		**8,378**	8,165
		1,484,046	1,547,791
Current assets			
Inventories		**31,123**	51,425
Trade receivables	*7*	**131,263**	133,652
Other receivables, deposits and prepayments		**6,434**	13,581
Amounts due from related parties		**116,901**	80,932
Financial assets measured at fair value through profit or loss("FVPL")		**62,244**	94,156
Term deposits		**36,719**	50,708
Restricted bank deposits		**312**	2,828
Cash and cash equivalents		**714,120**	523,027
		1,099,116	950,309
Current liabilities			
Trade payables	*8*	**155,148**	150,543
Contract liabilities		**821**	4,570
Accruals, other payables and provisions		**460,889**	441,062
Amounts due to related parties		**7,875**	7,690
Borrowings	*11*	**82,100**	82,100
Convertible bonds	*9*	**1,060,315**	938,149
Lease liabilities		**2,660**	1,783
Current taxation		**41,061**	36,662
		1,810,869	1,662,559
Net current liabilities		**(711,753)**	(712,250)
Total assets less current liabilities		**772,293**	835,541

		As at 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
			(restated)
Non-current liabilities			
Lease liabilities		**7,154**	7,237
Accruals, other payables and provisions		**–**	45,310
Defined benefit plan obligations		**58,775**	44,649
Deferred tax liabilities		**130,685**	147,142
		196,614	244,338
NET ASSETS		**575,679**	591,203
CAPITAL AND RESERVES			
Share capital		**123**	123
Reserves		**337,588**	378,971
Total equity attributable to owners of the Company		**337,711**	379,094
Non-controlling interests		**237,968**	212,109
TOTAL EQUITY		**575,679**	591,203

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 Company, together with its subsidiaries (collectively referred to as the "**Group**"), is principally engaged in the (i) operation and management of hospitals; (ii) provision of management services, supply chain services and other ancillary services to hospitals; and (iii) sales 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 "**Stock Exchange**") on 16 March 2017.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") and the 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 (the "**Listing Rules**"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– Other investments in securities, and

– Convertible bonds.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As at 31 December 2024, the Group's current liabilities exceeded its current assets by RMB711,753,000, including convertible bonds of RMB1,060,315,000, which will mature in 2025 (see note 9). The bondholders are Vanguard Glory, a substantial shareholder holding 70.19% of the Company's issued share capital, and Hony Capital Fund VIII (Cayman), L.P. ("**Hony Fund VIII**"), an affiliate fund managed by the parent fund of Vanguard Glory. The Group is in the process of negotiating with the bondholders on the potential extension of the maturity of the convertible bonds. The Directors of the Company consider the Group has a good probability to be successful from the above negotiation with the bondholders, and together with the Group's cash flow forecast for the next twelve months prepared by the management, are of the opinion that the Group will generate sufficient cash inflows from its operations and will have access to credit facilities from financial institutions, if requires, to meet its obligations. Accordingly, the Directors of the Company consider it is appropriate to prepare these consolidated financial statements on a going concern basis.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“**2020 amendments**”) and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“**2022 amendments**”)

- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

Amendments to IAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the “IAS 1 amendments”)

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the IAS 1 amendments, the Group has reassessed the classification of its liabilities as current or non-current. The Group has retrospectively reclassified the non-derivative liabilities arising from convertible bonds with a maturity date of 30 September 2025 from non-current to current as at 31 December 2023, as the related conversion features of these convertible bonds do not meet the definition of an equity instrument and are exercisable at any time at the bondholders’ option. The classification of these convertible bonds do not have any impact in 2024, as the convertible bonds will be classified as current irrespective of whether or not the IAS 1 amendments are adopted.

The following table summarises the impact of the adoption of the IAS 1 amendments on the comparatives presented in the Group's consolidated statement of financial position and the Company's statement of financial position:

	As previously reported *RMB'000*	**Effect of adopting the IAS 1 amendments** *RMB'000*	**As restated** *RMB'000*
Consolidated statement of financial position as at 31 December 2023:			
Convertible bonds	–	938,149	938,149
Total current liabilities	**724,410**	**938,149**	**1,662,559**
Net current assets/(liabilities)	**225,899**	**(938,149)**	**(712,250)**
Total assets less current liabilities	**1,773,690**	**(938,149)**	**835,541**
Convertible bonds	938,149	(938,149)	–
Total non-current liabilities	**1,182,487**	**(938,149)**	**244,338**
Company-level statement of financial position as at 31 December 2023:			
Convertible bonds	–	938,149	938,149
Total current liabilities	**281,030**	**938,149**	**1,219,179**
Net current liabilities	**(274,664)**	**(938,149)**	**(1,212,813)**
Total assets less current liabilities	**2,290,915**	**(938,149)**	**1,352,766**
Convertible bonds	938,149	(938,149)	–
Total non-current liabilities	**983,459**	**(938,149)**	**45,310**

The amendments have no effect on the Group's consolidated statement of financial position and the Company's statement of financial position as at 1 January 2023, as the convertible bonds were classified as current as at 1 January 2023 where the maturity date was subsequently extended to 30 September 2025 in 2023.

3 SEGMENT INFORMATION

The Group manages its operations 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 derived from the provision of hospital services, including outpatient and inpatient services.

(ii) Hospital management services

Revenue from this segment is derived from the provision of comprehensive management services to hospital, including operation management services, supply chain services and other ancillary services.

(iii) Sales of pharmaceutical products

Revenue from this segment is mainly derived from the sales of pharmaceutical products by the Group's retail pharmacy.

Segment results, assets and liabilities

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.

The management of the Group has revised the allocation basis of expenses to each segment in 2024 to better reflect the performance of the segments. The comparative figures have been adjusted to conform to the current period's presentations.

Segment assets exclude 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 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.

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

	General hospital services *RMB'000*	Hospital management services *RMB'000*	Sale of pharmaceutical products *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
2024						
Segment revenue	1,303,405	416,182	9,014	(292,125)	5,816	1,442,292
Inter-segment revenue	–	(292,125)	–	292,125	–	–
Revenue from external customers	1,303,405	124,057	9,014	–	5,816	1,442,292
EBITDA	74,727	185,891	605	(3,132)	–	258,091
Depreciation	(42,181)	(4,076)	(37)	–	(723)	(47,017)
Amortisation	(8,332)	(7,419)	–	–	(339)	(16,090)
Finance (cost)/income, net	(673)	864	4	–	(120,787)	(120,592)
Unallocated losses, net					(13,123)	(13,123)
Profit/(loss) before taxation	23,541	175,260	572	(3,132)	(134,972)	61,269
As at 31 December 2024						
Segment assets	822,949	683,830	18,776	(109,956)	370,111	1,785,710
Goodwill	110,079	687,373	–	–	–	797,452
Total assets	933,028	1,371,203	18,776	(109,956)	370,111	2,583,162
Total liabilities	535,033	286,620	3,194	(106,605)	1,289,241	2,007,483

	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	58,854	149,432	718	(255)	–	208,749
Depreciation	(48,648)	(3,279)	(49)	–	(627)	(52,603)
Amortisation	(8,369)	(7,509)	–	–	(132)	(16,010)
Finance (cost)/income, net	(1,033)	90	(21)	–	89,330	88,366
Unallocated losses, net					(12,298)	(12,298)
Profit/(loss) before taxation	804	138,734	648	(255)	76,273	216,204
As at 31 December 2023						
Segment assets	813,887	719,423	18,344	(162,693)	363,271	1,752,232
Goodwill	58,495	687,373	–	–	–	745,868
Total assets	872,382	1,406,796	18,344	(162,693)	363,271	2,498,100
Total liabilities	530,756	345,414	3,227	(162,307)	1,189,807	1,906,897

4 OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Government grants and subsidies	**12,918**	15,624
Net fair value gain on financial assets measured at FVPL	**1,624**	2,230
Others	**636**	540
	15,178	18,394

5 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2024	2023
	RMB'000	*RMB'000*
Current income tax:		
– PRC Corporate Income Tax	**64,149**	50,627
Deferred income tax	**(16,670)**	(2,767)
	47,479	47,860

(i) The Cayman Islands and the British Virgin Islands (the "BVI") Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax rate was 16.5% for the year ended 31 December 2024 (2023: 16.5%). No Hong Kong Profits Tax was provided for as there was no estimated assessable profits that are subject to Hong Kong Profits Tax for the years ended 31 December 2024 and 2023.

(iii) PRC Corporate Income Tax

Subsidiaries established and operating in the PRC are subject to the PRC Corporate Income Tax at the rate of 25% for the year ended 31 December 2024 (2023: 25%), except for certain subsidiaries of the Group which enjoy a preferential tax rate of 15% according to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (《關於深入實施西部大開發戰略有關稅收政策問題的通知》).

6 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2024 and 2023.

	2024	2023
(Loss)/profit attributable to the owners of the Company (RMB'000)	**(38,628)**	131,384
Issued ordinary shares at 1 January (in '000)	**138,194**	138,194
Effect of shares repurchased (in '000)	**(1,132)**	(727)
Weighted average number of ordinary shares in issue (in '000)	**137,062**	137,467
Basic (losses)/earnings per share (in RMB)	**(0.282)**	0.956

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2024, the Group's potential dilutive ordinary shares are from convertible bonds issued. The potential dilutive ordinary shares were not included in the calculation of diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended 31 December 2024 is the same as basic losses per share. The calculation of diluted earnings per share for the year ended 31 December 2023 was set out below.

	2023 *RMB'000*
Profit attributable to the owners of the Company	131,384
Less:	
Net gain on the extension of convertible bonds	222,920
Net fair value loss on convertible bonds	(134,662)
Profit used to determine diluted earnings per share	43,126
Weighted average number of ordinary shares in issue (in '000)	137,467
Adjustment for calculation of diluted earnings per share – Conversion of convertible bonds (in '000)	64,694
Weighted average number of ordinary shares in issue and potential ordinary shares (in '000)	202,161
Diluted earnings per share (in RMB)	0.213

7 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**131,960**	134,436
Less: loss allowance	**(697)**	(784)
Trade receivables, net of loss allowance	**131,263**	133,652

All of the trade receivables are expected to be recovered within one year.

As at 31 December 2024, the ageing analysis based on invoice date of the trade receivables and net of loss allowance, is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 90 days	**108,221**	128,865
91 to 180 days	**14,303**	3,871
181 days to 1 year	**8,645**	739
Over 1 year	**94**	177
	131,263	133,652

8 TRADE PAYABLES

As at 31 December 2024, the ageing analysis of trade payables, based on invoice date, is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 90 days	**133,677**	127,353
91 to 180 days	**12,868**	14,236
181 days to 1 year	**5,802**	82
Over 1 year	**2,801**	8,872
Financial liabilities measured at amortised cost	**155,148**	150,543

9 CONVERTIBLE BONDS

On 5 March 2018 and on 7 August 2018, the Company issued two convertible bonds, to Vanguard Glory in the principal amount of HKD468,000,000 with conversion price of HKD18.00 per share, and to Hony Fund VIII in the principal amount of HKD773,880,000 with conversion price of HKD20.00 per share, respectively. The convertible bonds are non-interest bearing and their maturity dates have been extended to 30 September 2025 in 2023. The convertible bonds were designated as financial liabilities at FVPL. The amount of change in the fair value of liabilities were presented in profit or loss.

The movement of the convertible bonds is as follows:

	Convertible bonds *RMB'000*
As at 1 January 2023	1,026,407
Net fair value loss on convertible bonds	134,662
Net gain on the extension of convertible bonds	(222,920)
As at 31 December 2023 and 1 January 2024	938,149
Net fair value loss on convertible bonds	122,166
As at 31 December 2024	1,060,315

None of convertible bonds was converted into ordinary shares of the Company during the year ended 31 December 2024 (2023: none converted).

10 DIVIDENDS

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

11 BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bank borrowings:		
– Secured but unguaranteed	**62,100**	62,100
– Unsecured but guaranteed	**20,000**	20,000
Total borrowings carried at amortised cost	**82,100**	82,100

INDUSTRY OVERVIEW

According to The Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), in order to comprehensively promote the construction of the Healthy China, the reform of the domestic medical and healthcare system will adhere to the public welfare attributes of the basic medical and healthcare sector, with a view to improving the quality and efficiency of healthcare, and expanding the supply of healthcare services with public healthcare organisations as the core and non-public healthcare organisations as a supplement. In June 2024, the General Office of the State Council published the Key Tasks for Deepening the Reform of Medical and Healthcare Systems in 2024, stipulating that 2024 was a pivotal year for the realisation of the objectives and tasks of the 14th Five-Year Plan, and that the reform of public hospitals oriented towards public welfare would be intensified, the high-quality development of public hospitals of various levels and types would be promoted, the medical and healthcare system would be further improved, the healthcare service capacity at the primary level would be strengthened, and the reform of close medical consortiums would be intensified, the experience of the Sanming Healthcare Reform would be promoted in depth, such as launching the reform of payment by Diagnostic-Related Groups ("**DRG**") or payment according to Diagnosis-Intervention Packet ("**DIP**") in all co-ordinated district and promoting the State-run centralized procurement of medicine and medical consumables with larger quantity and scope. Given that public hospitals are the backbone of the domestic medical and healthcare service system, and that the reform of public hospitals is oriented towards public welfare, along with a series of reforms being put into practice, the rate of profit in the medical service market may continue to decline. On the other hand, the reform of the medical insurance payment with the implementation of global budget mechanism will effectively pilot the rational medical treatments, but at the same time may limit the growth rate of the medical insurance-related income of medical institutions.

As a result of the reform of the medical and healthcare system, competition in the market further intensified in 2024. On the one hand, the State Medical Insurance Bureau, together with the Ministry of Finance, issued the Notice on Further Strengthening the Management and Service in respect of Direct Settlement of Cross-province Medical Reimbursements (Yi Bao Fa [2024] No. 21) (《關於進一步加強異地就醫直接結算管理服務的通知》(醫保發[2024] 21號)), which specifies the task of 'implementing and improving direct settlement of cross-province Medical Reimbursements' and there have been 238 million visits of available to direct settlement of cross-province Medical Reimbursements across the nation during the year, which has benefited the insured public, and also generate higher requirements on the competitiveness with respect to medical institutions located in small and medium-sized cities. On the other hand, in order to achieve the goal of capacity building of primary-level healthcare services, the policy has guided public tertiary hospitals in cities to take the lead in setting up close medical consortiums at the county level, increasing the input of medical resources in rural areas, and enhancing competition in the market of medical services in rural areas therefore.

BUSINESS REVIEW

The Group, as a professional healthcare services technology group, is always well-prepared to address the challenges and opportunities of the times through scientific management of the hospitals owned, managed and founded by the Group (the "**Group Hospital(s)**") and continuous enhancement of its management service capability and asset quality. In line with the industry trend, the Group will continue to improve the quality of general hospital services, promote the development of the Group Hospitals in the direction of standardisation, specialisation and branding, and enhance market competitiveness on the one hand, and strive to explore systematic and standardised management solutions for non-public general hospitals with Chinese characteristics on the other hand, and utilise the empowerment of digital intelligence to steadily enhance its management service capability.

Group Management and Operation Strategy

In response to challenges such as intensified market competition along with the reform of the medical and healthcare system, the Group has fully leveraged its strengths in group management by taking the lead in promoting the establishment of a unified information and data platform and supply chain management reforms to reduce costs and increase efficiencies, as well as investing in resources in the areas of healthcare services, financial management and compliance and governance to ensure the safe and sustainable development of the Group Hospitals, thereby facilitating the steady enhancement of their competitiveness.

Information technology construction has begun to see results: The Group has continued to enhance its digital health management/service capabilities. In terms of data centre and network security, the Group has taken its advantages in scale to achieve highly reliable and secure IT infrastructure operation and maintenance at a lower cost. In terms of application systems, the Group has formed its own IT team that preliminarily support the operation and maintenance of the system of Group Hospitals. While providing agile and efficient response support to the HIS/HRP/OA systems of the Group Hospitals, the IT team also developed small-scale systems to cater for the individual needs of hospitals, offering informatisation and intelligent support in the areas of medical quality control and medical insurance settlement and control. During the year under review, the Group's information technology application capabilities have gradually gained recognition, and its information technology application cases in AI-assisted imaging and intelligent case management won national industry-level awards respectively.

The Group's procurement platform has fully taken over the procurement affairs: The Group has built its own supply chain management system and integrated the resources of advantageous suppliers to provide the Group Hospitals with services in the supply of medical devices, Western medicine, Chinese medicine, Chinese Herbal Medicine and other various medical supplies while lowering the procurement costs. In 2024, the Group continued to improve its centralised procurement management system in order to, on the one hand, focus on quality control, refine the management mechanism of suppliers, enhance the warehousing management and logistics and distribution capabilities to ensure product quality while safeguarding the timeliness of supply, and, on the other hand, optimise the management process in order to improve the efficiency of procurement. During the year under review, the Group's Purchasing Centre organised and implemented a total of 22 major procurement projects (including 13 medical equipment projects and 7 information system projects) and 11 other major capital expenditure projects.

The Group emphasises the management philosophy of "Legal Compliance, Safety Standards, Healthy Development", and supervises the Group Hospitals to systematically formulate and implement work plans in the dimensions of strategy formulation and decoding, improvement of management system, training of talents and performance management. The Group focused on guiding the Group Hospitals to formulate medium- and long-term development strategies, developing a differentiated competitive pattern with local public healthcare institutions, and integrated into the complementary and balanced healthcare service system advocated by the government. The Group supervised hospitals to identify potential safety hazards in fields such as fire safety and infrastructure, and introduced external professional resources for technical support. The Group has continued to step up its efforts to enhance the quality of medical care and services by launching a series of training and competition activities focusing on issues such as quality of medical documents, quality and safety of surgeries, and emergency preparedness drills, with a view to raising the awareness of healthcare personnel on quality and safety and improving their ability to identify and handle medical risks.

FUTURE PROSPECTS

During the year under review, the international environment was challenging and complicated, while the domestic reform, development and stability maintenance were arduous. However, the overall trend of the Chinese economy rebounding and improving in the long term remains unchanged. With the gradual improvement of the basic medical and social medical insurance systems, the popularisation of commercial health insurance, the continuous rise in disposable income of residents, the accelerated ageing of the population and the enhancement of health awareness, we continue to have positive expectations for the outlook of China's medical and healthcare market.

Under the progress of the reform of China's medical and healthcare system and the impact of the transformation of medical insurance payment and centralised procurement concerning the revenue and expenditure of medical institution, non-public medical institutions that fail to quickly adapt to the requirements of the times may be gradually eliminated from the market, and the future flow of healthcare talents from public medical institutions will have a far-reaching impact on the competitive landscape of the industry. In this regard, the Group will adhere to the strategic ideas of strengthening the management and control system, improving asset quality and developing innovative business models, continue to pay attention to changes in key elements such as the application of information intelligence (AI+), system of tiered medical services, and medical insurance payment. At the same time, the Group will take into account the demographic changes in the vicinity of the Group Hospitals and the trend of talent mobility, proactively adjust the structure of its disciplines and seize the opportunities in the consumer healthcare business, with a view to enhancing the Group's core competence and operational efficiency and creating greater value returns for all shareholders.

REVIEW OF 2024 ANNUAL PERFORMANCE

Results of Operations

Revenue

Our revenue increased by approximately 1.0% from approximately RMB1,427.7 million in 2023 to approximately RMB1,442.3 million in 2024. The table below sets forth the Group's revenue by segment and by services category for the years indicated:

	For the year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**1,442,292**	1,427,733
– Hospital management services	**124,057**	86,919
– General hospital services	**1,303,405**	1,326,280
– Sales of pharmaceutical products	**9,014**	11,476
– Others	**5,816**	3,058

Hospital management services

Revenue from our operating management services, supply chain services and other comprehensive management services, increased by approximately 42.7% from approximately RMB86.9 million in 2023 to approximately RMB124.1 million in 2024. 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 decreased by approximately 1.7% from RMB1,326.3 million in 2023 to approximately RMB1,303.4 million in 2024. Revenue from this segment decreased mainly due to the decrease in the revenue from the provision of general hospital services by hospital to individual patients.

Sales of pharmaceutical products

Revenue from sales of pharmaceutical products decreased by RMB2.5 million from approximately RMB11.5 million in 2023 to approximately RMB9.0 million in 2024, mainly due to a decrease in the income of Honghe (Jinhua) Pharmaceutical Co., Ltd.*（弘和（金華）藥業有限公司）from the supply of pharmaceutical products to customers.

Cost

Our cost decreased by approximately 1.8% from approximately RMB1,188.4 million in 2023 to approximately RMB1,166.5 million in 2024. The decrease in costs was mainly due to a decrease in related cost of inventories when compared with the Corresponding Period of Previous Year.

Administrative expenses

Our administrative expenses decreased by approximately 15.7% from approximately RMB129.2 million in 2023 to approximately RMB109.0 million in 2024. The decrease in administrative expenses was mainly attributable to the decrease in employee benefit expenses and technology operation related expenses when compared with the Corresponding Period of Previous Year.

Other income

Our other income decrease by approximately 17.5% from approximately RMB18.4 million in 2023 to approximately RMB15.2 million in 2024. The decrease in other income was mainly attributable to the decrease in the government grants and subsidies.

Finance (costs)/income, net

Our finance (costs)/income, net decreased by approximately RMB209.0 million from finance income, net of RMB88.4 million in 2023 to finance cost, net RMB120.6 million in 2024, and such decrease was mainly attributable to a decrease in gain on extension of convertible bonds of approximately RMB 222.9 million.

Earning for the year

We recorded a net profit of approximately RMB13.8 million for the year ended 31 December 2024, representing a decrease of approximately RMB154.5 million from the net profit of approximately RMB168.3 million for the Corresponding Period of Previous Year, mainly due to a decrease in gain on extension of convertible bonds of approximately RMB 222.9 million.

Discussion of certain items from the consolidated statement of financial position

Cash and cash equivalents

We had cash and cash equivalents of approximately RMB523.0 million and approximately RMB714.1 million as at 31 December 2023 and 2024, respectively. The increase of approximately RMB191.1 million in 2024 was primarily attributable to the increase in cash flows from operating activities.

Financial assets measured at fair value through profit or loss

Our financial assets measured at fair value through profit or loss as at 31 December 2024 amounted to approximately RMB62.2 million, mainly representing monetary funds and structured deposits. The monetary funds and structured deposits held by us are low-risk products.

The following table sets out the changes in the monetary funds and structured deposits for the year ended 31 December 2024.

	Year ended 31 December 2024 *RMB'000*
Opening balance	94,156
Additions	148,300
Settlements	(181,836)
Gains recognised in other gains, net	1,624
Closing balance	62,244

During the year under review, we bought monetary funds and structured deposits from five financial institutions, which are in dependent third parties. The purchases of monetary funds and structured deposits 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 and structured deposits from each of the five financial institutions are less than 5% under Rule 14.07 of the Listing Rules, the purchases of monetary funds and structured deposits do not constitute notifiable transactions of the Company under the Listing Rules.

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

Financial assets at fair value through profit or loss	**Name**	**Balances at 31 December 2024**
Monetary Fund	MANULIFE TEDA Money Market Fund (泰達宏利貨幣市場基金)	971,444
Monetary Fund	HFT Monetary A (海富通貨A)	934,999
Structured Deposit	Structured Deposit (結構性存款)	40,000,000
Structured Deposit	Structured Deposit (結構性存款)	15,000,000
Monetary Fund	MANULIFE TEDA Money Market Fund (泰達宏利貨幣市場基金)	5,337,830

The financial assets that the Company invested in during the year ended 31 December 2024 are monetary funds and structured deposits with floating rates, which carry lower expected return of principal and risk as compared to stocks or corporate debt issues. These monetary funds and structured deposits 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 and structured deposits 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 and structured deposits based on our business and operational needs.

Accruals, other payables and provisions

Our accruals, other payables and provisions were approximately RMB486.4 million and approximately RMB460.9 million as at 31 December 2023 and 2024, respectively. The accruals, other payables and provisions decreased by approximately RMB25.5 million, mainly due to the decrease in the early redemption payables for convertible bonds of RMB32.3 million.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2024, our total equity was approximately RMB575.7 million (2023: approximately RMB591.2 million). As at 31 December 2024, we had current assets of approximately RMB1,099.1 million (2023: approximately RMB950.3 million) and current liabilities of approximately RMB1,810.9 million (2023: approximately RMB1,662.6 million). As at 31 December 2024, our current ratio was approximately 0.61, as compared with approximately 0.57 as at 31 December 2023.

Our current assets increased by approximately RMB148.8 million from approximately RMB950.3 million as at 31 December 2023 to approximately RMB1,099.1 million as at 31 December 2024, primarily due to the increase in cash and cash equivalents of approximately RMB191.1 million. Our current liabilities increased by approximately RMB148.3 million from approximately RMB1,662.6 million as at 31 December 2023 to approximately RMB1,810.9 million as at 31 December 2024, primarily due to (i) the increase of RMB122.2 million in convertible bonds, and (ii) the increase of RMB19.8 million in accruals, other payables and provisions, which are due within one year.

Our primary uses of cash in 2024 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 RMB212.1 million, consisting of approximately RMB243.6 million in net cash inflows generated from our operations before changes in working capital, net cash inflows of approximately RMB28.2 million relating to changes in working capital, and cash outflows on income tax paid of approximately RMB59.7 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 RMB61.3 million, adjusted for non-cash and non-operating items, mainly including losses on fair value change arising from the change in value of convertible bonds of approximately RMB122.2 million, and depreciation of property and equipment and amortization of intangible assets of approximately RMB63.1 million. Our net cash inflows relating to changes in working capital were primarily attributable to the decrease in inventories of approximately RMB17.5 million, and the decrease in trade receivables of approximately RMB18.0 million, the decrease in other receivables, deposits and prepayments of approximately RMB7.1 million, and the decrease in trade payables of approximately RMB15.1 million.

In the year under review, we had net cash inflows from investing activities of approximately RMB42.6 million, which primarily comprised proceeds from the redemption of term deposits of approximately RMB101.4 million and proceeds from disposal of financial assets measured at FVPL of approximately RMB181.8 million, which were offset by Purchase for financial assets measured at FVPL of approximately RMB148.3 million, payment for property and equipment and intangible assets of approximately RMB15.2 million, and placement of term deposits of approximately RMB87.4 million.

Cash and Borrowings

We had cash and cash equivalents of approximately RMB523.0 million and approximately RMB714.1 million as at 31 December 2023 and 2024, respectively. Our borrowings amounted to approximately RMB82.1 million as at 31 December 2024 (as at 31 December 2023: approximately RMB82.1 million). Of our borrowings, approximately RMB39.0 million bear interest at a fixed rate of 3.2% and RMB43.1 million bear interest at a fixed rate of 3.0%. The table below sets forth the maturity profile of our borrowings in the years indicated:

	Bank borrowings	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**82,100**	82,100
	82,100	82,100

As at 31 December 2024, the net gearing ratio of the Company was approximately 3.2% (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 31 December 2024.

RECENT DEVELOPMENTS

Time	**Event**
13 September 2024	As Zhejiang Jinhua Guangfu Oncological Hospital*（浙江金華廣福腫瘤醫院）(“**Jinhua Guangfu Hospital**”) entered into a new loan agreement with Nanyang Commercial Bank (China) Limited Beijing Branch*（南洋商業銀行（中國）有限公司北京分行）(“**Nanyang Bank**”), on 13 September 2024, the Company entered into a guarantee agreement (the “**2024 Nanyang Guarantee Agreement**”) with Nanyang Bank, pursuant to which (i) the guarantee agreement dated 3 November 2023 entered into between the Company and Nanyang Bank shall be superseded by the 2024 Nanyang Guarantee Agreement and (ii) the Company agreed to provide a corporate guarantee for Jinhua Guangfu Hospital in favour of Nanyang Bank in connection with the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB104.0 million (the “**2024 Nanyang Corporate Guarantee**”). As at 31 December 2024, the 2024 Nanyang Corporate Guarantee remained effective.

On 13 September 2024, the Company, 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, and Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd.* (浙江弘和致遠醫療科技有限公司) (“**Zhiyuan Medical**”), which is indirectly owned as to 75% by the Company, entered into a guarantee agreement (the “**2024 CCB Guarantee Agreement**”) with China Construction Bank Corporation Jinhua Branch* (中國建設銀行股份有限公司金華分行) (“**China Construction Bank**”), pursuant to which the Company, Tibet Honghe Zhiyuan and Zhiyuan Medical agreed to provide a joint liability guarantee for Jinhua Guangfu Hospital in favour of China Construction Bank in connection with the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB173.0 million. On 13 September 2024, Impeccable Success Limited (“**Impeccable Success**”), a wholly-owned subsidiary of the Company, entered into a pledge agreement with China Construction Bank (the “**CCB Pledge Agreement**”), pursuant to which Impeccable Success agreed to pledge its 75% equity interests in Zhiyuan Medical to China Construction Bank as security for the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB66.66 million. For the avoidance of doubt, the financial assistance provided by the Group in favour of China Construction Bank, as contemplated under the 2024 CCB Guarantee Agreement and the CCB Pledge Agreement (the “**CCB Financial Assistance**”), will not exceed a maximum outstanding amount of RMB173.0 million. As at 31 December 2024, the CCB Financial Assistance remained effective.

On 13 September 2024, the Company entered into a credit loan agreement with Jinhua Guangfu Hospital (the “**2024 Credit Loan Agreement**”), pursuant to which the Company has conditionally agreed to grant a revolving loan credit limit of RMB150.0 million to Jinhua Guangfu Hospital at an interest rate of 3.69% per annum, for an availability period from the effective date of the 2024 Credit Loan Agreement to 30 September 2027. Accordingly, the loan agreement entered into between the Company and Jinhua Guangfu Hospital on 24 July 2019, pursuant to which the Company granted a principal amount of RMB80.0 million to Jinhua Guangfu Hospital (the “**2019 Loan Agreement**”), and the loan agreement entered into between Tibet Honghe Zhiyuan and Jinhua Guangfu Hospital on 20 November 2020 (as supplemented by the supplemental loan agreement in 2023), pursuant to which Tibet Honghe Zhiyuan grant a maximum principal amount of RMB20.0 million to Jinhua Guangfu Hospital (the “**2020 Loan Agreement**”) were superseded upon the entering into of the 2024 Credit Loan Agreement. The outstanding principal amounts granted under the 2019 Loan Agreement and the revolving loan credit limit granted under the 2020 Loan Agreement were counted towards the revolving loan credit limit granted under the 2024 Credit Loan Agreement. As at 31 December 2024, the outstanding principal amount of the 2024 Credit Loan Agreement was 100.0 million.

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. Since the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement constitute financial assistance provided by the Group to Jinhua Guangfu Hospital, the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan 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 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement, when aggregate, is more than 25% but less than 100%, the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without convening a general meeting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associates has a material interest in each of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder would be required to abstain from voting if a general meeting is required to be convened to approve the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder.

As the Company has obtained the written approval from Vanguard Glory, which is directly interested in 97,000,000 shares (representing approximately 70.19% of the issued share capital of the Company) on 13 September 2024, the Company is not required to convene an extraordinary general meeting for the purpose of approving the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder; and (ii) other information as required under the Listing Rules, was dispatched to the Shareholders for their information on 25 September 2024.

Please refer to the announcements of the Company dated 24 July 2019, 20 November 2020, 27 September 2022, 11 November 2022, 3 November 2023, 14 November 2023 and 13 September 2024 and the circular of the Company dated 25 September 2024 for further details.

EVENTS AFTER THE YEAR UNDER REVIEW

The Group had no significant events after 31 December 2024 and up to the date of this announcement.

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 1 January 2024 until 31 December 2024.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2024, 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 31 December 2024, 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 31 December 2024, the Company, Tibet Honghe Zhiyuan and Zhiyuan Medical has provided a joint liability guarantee for Jinhua Guangfu Hospital in favour of China Construction Bank in connection with the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB173.0 million. Impeccable Success has pledged its paid-up equity interests in Zhiyuan Medical to China Construction Bank as security for the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB66.66 million. For the avoidance of doubt, the financial assistance provided by the Group in favor of China Construction Bank mentioned above will not exceed a maximum outstanding amount of RMB173.0 million. As at 31 December 2024, the principal amount of loan balance of Jinhua Guangfu Hospital was RMB133.0 million.

As at 31 December 2024, the Company has provided a corporate guarantee for Jinhua Guangfu Hospital in favor of Nanyang Bank in connection with the repayment obligations up to a maximum outstanding amount of RMB104.0 million. As at 31 December 2024, the principle amount of loan balance of Jinhua Guangfu Hospital was RMB60.0 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

HUMAN RESOURCES

As at 31 December 2024, we had a total of 1,841 employees (31 December 2023: 1,457). The increase of employee was mainly due to the growth of business scale. 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 31 December 2024, the total employee benefits expenses (including Directors' remuneration) were approximately RMB446.7 million (2023: approximately RMB430.5 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

During the year under review, the SAS Trustee purchased a total of 618,600 Shares pursuant to the Share Award Scheme.

Save as disclosed herein, during the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including the sales of treasury shares (as defined in the Listing Rules)).

As at 31 December 2024, the Company did not have any treasury shares (as defined in the Listing Rules).

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 23 June 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 31 December 2024.

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 31 December 2024, 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, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 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.

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

Hong Kong, 26 March 2025

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.

* *For identification purpose only*