Hospital Corporation of China Limited

弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3869)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the "**Board**") of directors (the "**Directors**") of Hospital Corporation of China Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the six months ended June 30, 2021 (the "**Reporting Period**"), together with the comparative figures for the six months ended June 30, 2020 (the "**Corresponding Period of Previous Year**").

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	207,248	180,679
－Hospital management services	112,233	100,988
－General hospital services	93,543	79,568
－Sale of pharmaceutical products	1,472	123
Adjusted gross profit (1)	112,907	96,376
Adjusted net profit (2)(3)	69,941	56,474
Adjusted gross profit margin	54.5%	53.3%
Adjusted net profit margin (3)	33.7%	31.3%
Adjusted items		
Expenses of share-based awards and other one-off employee benefit expenses (2)(i)	693	2,424
(Losses)/gains on fair value change resulting from value change of convertible bonds and foreign exchange (Losses)/gains (2)(ii)	(25,160)	16,894
Amortization of identifiable intangible assets identified in acquisitions (2)(iii)	13,373	15,250
Investing and financing related expenses (2)(iv)	1,100	4,751
Total amount of impairment losses on intangible assets and the reversal of deferred income tax liabilities caused by the impairment on intangible assets (2)(v)(3)	440,039	617,935

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	207,248	180,679
Gross profit (1)	99,247	80,702
Net loss (2)(3)	(410,424)	(566,992)
Basic loss per share (in RMB)	(2.47)	(3.87)

Notes:

(1) The gross profit of the Group for the Reporting Period amounted to approximately RMB99.2 million. Adjusted gross profit is calculated as the gross profit for the Reporting Period, excluding the impact from the expenses of share-based awards and amortization of identifiable intangible assets identified in acquisitions.

(2) The Group recorded a net loss of RMB410.4 million during the Reporting Period. The adjusted net profit (the "**Adjusted Net Profit**") is calculated as the profit for the Reporting Period excluding the impact from certain items which are considered as non-operating by the management, including (i) the relevant expenses of share-based awards of RMB0.3 million and other one-off employee benefit expenses of RMB0.4 million; (ii) the losses on the foreign exchange and relevant fair value changes of RMB18.2 million arising from the conversion of Hong Kong dollar denominated convertible bonds issued by the Company into RMB, and foreign exchange losses of RMB7.0 million mainly arising from cash and cash equivalents; (iii) amortization of identifiable intangible assets identified in acquisitions of RMB13.4 million; (iv) financial expenses on other financial liability at amortized cost of RMB1.1 million; (v) impairment losses on intangible assets of RMB542.7 million, and the reversal of deferred income tax liabilities caused by the impairment on consolidated intangible assets of RMB102.7 million. For the calculation of the Adjusted Net Profit, tax impacts of the adjusted items were not considered.

(3) The loss for the Reporting Period is primarily attributable to the volatile Coronavirus Disease 2019 pandemic (the "COVID-19 Outbreak") and the impacts arising from the policies of medical and healthcare service industry as well as payments for medical insurance such as DRGs and APG, which have had negative impact on the financial performance of the Group and have led to impairment losses on relevant intangible assets and goodwill. Impairment losses are one-off non-cash items recorded during the Reporting Period, which have no direct impact on the cash flow of the Group.

FINANCIAL INFORMATION

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2021	**2020**
	Notes	*RMB'000*	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	3	207,248	180,679
Cost of revenue		(108,001)	(99,977)
Gross profit		99,247	80,702
Administrative expenses		(21,057)	(29,507)
Selling expenses		(839)	–
Net impairment losses on financial assets		(4,483)	(3,754)
Impairment losses on intangible assets	7	(542,715)	(668,219)
Other income		1,197	3,492
Other (losses)/gains – net	4	(15,185)	5,344
Operating loss		(483,835)	(611,942)
Finance income		3,696	21,122
Finance costs		(12,864)	(11,094)
Loss before income tax		(493,003)	(601,914)
Income tax credit	5	82,579	34,922
Loss for the period		(410,424)	(566,992)
Other comprehensive income		–	–
Total comprehensive loss for the period		(410,424)	(566,992)
Attributable to:			
Owners of the Company		(341,104)	(535,403)
Non-controlling interests		(69,320)	(31,589)
Total comprehensive loss for the period		(410,424)	(566,992)
Loss per share from loss attributable to owners of the Company			
– Basic and diluted loss per share (in RMB)	6	(2.47)	(3.87)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	June 30, 2021 *RMB'000* *(Unaudited)*	December 31, 2020 *RMB'000* *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		142,786	145,125
Right-of-use assets		48,958	38,875
Intangible assets	7	1,652,494	2,208,557
Deferred income tax assets		3,936	3,835
Other receivables, deposits and prepayments		2,092	1,897
Amount due from a related party		80,000	80,000
Total non-current assets		1,930,266	2,478,289
Current assets			
Inventories		6,530	6,560
Contract assets		10,256	–
Trade receivables	8	31,663	33,945
Other receivables, deposits and prepayments		2,719	2,827
Amounts due from related parties		260,075	271,120
Financial assets at fair value through profit or loss		187,293	90,737
Term deposits		4,853	–
Cash and cash equivalents		769,696	860,726
Total current assets		1,273,085	1,265,915
Total assets		3,203,351	3,744,204
EQUITY			
Equity attributable to owners of the Company			
Share capital		123	123
Share premium		435,304	435,304
Reserves		928,525	928,111
Accumulated losses		(624,486)	(283,382)
		739,466	1,080,156
Non-controlling interests		217,764	287,084
Total equity		957,230	1,367,240

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	June 30, 2021 *RMB'000* *(Unaudited)*	December 31, 2020 *RMB'000* *(Audited)*
LIABILITIES			
Non-current liabilities			
Borrowings	10	15,983	34,386
Convertible bonds	11	1,576,400	1,558,245
Lease liabilities		8,788	692
Deferred income tax liabilities		201,766	302,301
Accruals, other payables and provisions		493	196
Total non-current liabilities		1,803,430	1,895,820
Current liabilities			
Trade payables	9	16,303	16,762
Accruals, other payables and provisions		79,107	85,711
Amounts due to related parties		29,141	22,843
Contract liabilities		102	872
Current income tax liabilities		21,036	20,281
Borrowings	10	55,983	97,309
Lease liabilities		2,819	266
Other financial liability at amortized cost		238,200	237,100
Total current liabilities		442,691	481,144
Total liabilities		2,246,121	2,376,964
Total equity and liabilities		3,203,351	3,744,204

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company, together with its subsidiaries (collectively referred to as "the Group"), are principally engaged in (i) operation and management of its privately owned hospital; (ii) provision of management and consultation services to three not-for-profit hospitals and (iii) sale of pharmaceutical products in the People's Republic of China (the "PRC").

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

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

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

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The interim condensed consolidated financial information does not include all the information normally included in an annual financial statements and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and any public announcements made by the Company during the six months ended June 30, 2021.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

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

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

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

(a) General hospital services

Revenue from this segment is generated in the PRC and derived from hospital services provided by Jiande Hospital of Traditional Chinese Medicine Co., Ltd. ("Jiande Hospital"), Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd. ("DJ Pharmaceutical Technology") and Jiande Xinlin Pharmacy Co., Ltd. ("Xinlin Pharmacy") for the six months ended June 30, 2021.

For general hospital services, revenue primarily derives from highly diversified individual patients and no single patient contributed 1% or more of the Group's respective revenue for the six months ended June 30, 2021 and 2020, respectively.

(b) Hospital management services

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

(c) Sale of pharmaceutical products

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

(d) Unallocated

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

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

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

	General hospital services	Hospital management services	Wholesale of pharmaceutical products	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
Six months ended June 30, 2020					
Segment revenue	79,568	100,988	123	–	180,679
Revenue from external customers	79,568	100,988	123	–	180,679
Timing of revenue recognition					
– At a point in time	43,580	–	123	–	43,703
– Over time	35,988	100,988	–	–	136,976
	79,568	100,988	123	–	180,679
EBITDA	(238,327)	(342,178)	(316)	–	(580,821)
Depreciation	(4,347)	(935)	(291)	(974)	(6,547)
Amortization	(3,787)	(11,830)	(191)	(52)	(15,860)
Finance (costs)/income	(947)	183	–	10,792	10,028
Unallocated expense – net				(8,714)	(8,714)
Profit/(loss) before tax	(247,408)	(354,760)	(798)	1,052	(601,914)
(Unaudited)					
As at June 30, 2020					
Segment assets	391,924	1,313,079	4,024	970,098	2,679,125
Goodwill	58,495	1,082,923	9,266	–	1,150,684
Total assets	450,419	2,396,002	13,290	970,098	3,829,809
Total liabilities	134,710	286,370	2,270	2,157,104	2,580,454

4 OTHER (LOSSES)/GAINS-NET

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net fair value (losses)/gains and other changes on convertible bonds	(18,155)	5,687
Net fair value gains on financial assets at FVPL	1,762	781
Others	1,208	(1,124)
	(15,185)	5,344

5 Income tax credit

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax at the rates of 25% or 15% for the six months ended June 30, 2021 (six months ended June 30, 2020: 25% or 15%).

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax:		
– PRC corporate income tax	(18,057)	(15,653)
Deferred income tax	100,636	50,575
	82,579	34,922

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate was 16.5% for the period ended June 30, 2021 (six months ended June 30, 2020: 16.5%). No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the period ended June 30, 2021 and 2020.

(c) PRC Corporate Income Tax ('CIT')

The income tax rate of Tibet Honghe Zhiyuan Business Management Co., Ltd. ('Honghe Zhiyuan') and Honghe Ruixin was 15% for the period ended June 30, 2021 (six months ended June 30, 2020: 15%). The income tax rate of other subsidiaries was 25% for the period ended June 30, 2021 (six months ended June 30, 2020: 25%).

(d) Withholding Tax

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

6 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2021 and 2020.

	Six months ended June 30,	
	2021	**2020**
	(Unaudited)	*(Unaudited)*
Total loss attributable to owners of the Company (RMB'000)	(341,104)	(535,403)
Weighted average number of ordinary shares in issue (in thousands)	138,194	138,194
Basic loss per share (in RMB)	(2.47)	(3.87)

(b) Diluted loss per share

The Group had potential dilutive shares during the six months ended June 30, 2021 and 2020 related to the convertible bonds. Mainly due to the Group's negative financial results during the six months ended June 30, 2021 and 2020, relative convertible bonds have anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share on June 30, 2021 and 2020.

7 INTANGIBLE ASSETS

	Goodwill	**Contractual rights to provide management services**	**Licenses**	**Software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
Six months ended June 30, 2021					
Net book value					
Opening amount as at January 1, 2021	1,150,684	890,411	166,379	1,083	2,208,557
Additions	–	–	–	196	196
Amortisation	–	(10,135)	(3,237)	(172)	(13,544)
Impairment charge	(132,008)	(410,707)	–	–	(542,715)
Closing amount as at June 30, 2021	1,018,676	469,569	163,142	1,107	1,652,494
(Unaudited)					
Six months ended June 30, 2020					
Net book value					
Opening amount as at January 1, 2020	1,617,767	1,113,506	173,194	1,362	2,905,829
Amortisation	–	(11,821)	(3,427)	(140)	(15,388)
Impairment charge	(467,083)	(201,136)	–	–	(668,219)
Closing amount as at June 30, 2020	1,150,684	900,549	169,767	1,222	2,222,222

8 TRADE RECEIVABLES

	As at June 30, 2021 *RMB'000* *(Unaudited)*	As at December 31, 2020 *RMB'000* *(Audited)*
Trade receivables	33,163	36,945
Less: provision for impairment of trade receivables	(1,500)	(3,000)
Trade receivables – net	31,663	33,945

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

As at June 30, 2021 and December 31, 2020, the ageing analysis based on invoice date of the trade receivables was as follows:

	As at June 30, 2021 *RMB'000* *(Unaudited)*	As at December 31, 2020 *RMB'000* *(Audited)*
1 – 90 days	27,542	33,058
91 – 180 days	840	1,465
181 days – 1 year	4,733	2,338
Over 1 year	48	84
	33,163	36,945

9 TRADE PAYABLES

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

	As at June 30, 2021 *RMB'000* *(Unaudited)*	As at December 31, 2020 *RMB'000* *(Audited)*
Within 90 days	9,080	12,729
91 to 180 days	4,124	1,570
181 days to 1 year	1,107	1,219
Over 1 year	1,992	1,244
	16,303	16,762

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

10 BORROWINGS

	As at June 30, 2021			As at December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Audited)*
Bank borrowing						
Secured but unguaranteed(a)	15,983	15,983	31,966	57,309	34,386	91,695
Unsecured and unguaranteed(b)	40,000	–	40,000	40,000	–	40,000
	55,983	15,983	71,966	97,309	34,386	131,695

(a) On December 11, 2017, the Company entered into a long-term loan agreement with China Merchants Bank Shanghai Zhangyang Branch. The bank loan commencing from December 12, 2017 will mature until 2022 with a twice repayment a year and bear a floating interest rate with reference to Hong Kong Interbank Offer Rate plus 360 basis points per quarter. The bank loan was secured by the 100% equity interest of Jiande Hexu Enterprise Management Co., Ltd. and Jiande Heyue Enterprise Management Co., Ltd. and 70% equity interest of Jiande Hospital, Jiande DJ Pharmaceutical Technology and DJ Medicines.

(b) Jiande Hospital entered into five one-year loan agreements with Agricultural Bank of China Jiande Branch in November and December 2020, and March 2021, respectively.

The remaining amount of these loans was RMB40,000,000, which consist of the loans amounting to RMB9,900,000, RMB9,000,000, RMB8,200,000, RMB3,000,000 and RMB9,900,000 bearing the same fixed interest rates of 4.300%.

As at June 30, 2021, the Group's borrowings were repayable as follows:

	Bank borrowings	
	As at June 30, 2021	**As at December 31, 2020**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 year	55,983	97,309
Between 1 and 2 years	15,983	34,386
	71,966	131,695

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

11 CONVERTIBLE BONDS

The movements of the convertible bonds are as follows:

	Convertible Bonds
	RMB'000
(Unaudited)	
As at January 1, 2021	1,558,245
Amortization of premium/(discount) with principal amount at initial recognition	(751)
Fair value change	18,906
As at June 30, 2021	1,576,400
(Unaudited)	
As at January 1, 2020	1,693,430
Amortization of premium/(discount) with principal amount at initial recognition	(364)
Fair value change	(5,323)
As at June 30, 2020	1,687,743

None of convertible bonds was converted into ordinary shares of the Company during the six months ended June 30, 2021.

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

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

	As at June 30, 2021	**As at December 31, 2020**
Volatility	30.00%	30%
Time to expiration (years)	2.10~2.66	2.60~3.16
Risk free rate of interest	0.17%~0.21%	0.21%~0.25%
Dividend yield	0.00%	0.00%

12 DIVIDENDS

No dividend has been declared by the Company during the six months ended 30 June 2021 and 30 June 2020.

BUSINESS REVIEW AND PROSPECTS

Policy review

In the first half of 2021, medical reform policies have been rolled out successively. Policies such as Notice on the Issuance of 2021 Major Tasks for Intensifying Medical and Health System Reform (《關於印發深化醫藥衛生體制改革2021年重點工作任務的通知》) released by the General Office of the State Council, the Key Points of Healthy China Action 2021 (《健康中國行動2021年工作要點》) issued by the Office of Healthy China Action Promotion Committee, the System of Hierarchical Assessment Criteria for Smart Management in Hospitals (Trial) (《醫院智慧管理分級評估標準體系(試行)》) issued by the National Health Commission, and the local supporting policies at the provincial and municipal levels were introduced. The National Bureau of Disease Control and Prevention was also established. The frequent introduction of medical reform policies has demonstrated the Chinese government's determination to further promote the development of a more regulated market in the medical industry in China as well as a more refined and pragmatic approach to management, which entailed strategies and directions as well as tactics and guidelines. These include:

(1) accelerating the promotion of coordinated healthcare, medical insurance and pharmaceutical reform to facilitate centralized procurement of pharmaceuticals and consumables, deepening reform of medical service prices by facilitating group pricing based on disease diagnosis and establishing pilot hospitals for pricing based on type of disease, promoting refined management so as to improve medical insurance policies for primary-level institutions and guide patients in recovery and rehabilitation to visit primary-level clinics, as well as promoting the establishment of medical unities, accelerating the establishment of a hierarchical diagnosis and treatment system so as to promote health informatization among the general public;

(2) facilitating the systemization and normalization of centralized bulk procurement of drugs, exploring system reforms in respect of centralized procurement of medical consumables with high value in an in-depth manner, optimizing incentive mechanism so as to facilitate the implementation of centralized procurement policies of drugs and medical consumables by medical institutions. With the accelerated implementation of medical reform policies and the standard of unified medical insurance code, various local healthcare security administrations have carried out a new round of centralized procurement centered on "bulk procurement";

(3) achieving a more scientific, refined and informationized medical management system as well as enhancing the requirements for medical record quality, pushing forward the continuous improvement of medical techniques, skills and quality by enhancing the inherent quality of medical records and strengthening the management in all aspects. Smart management standards and systems for hierarchical assessment were established at hospitals, and local hospitals in various regions were encouraged to make full use of smart management tools so as to realize more streamlined and smarter management at hospitals. The assessment subjects are hospitals adopting informationized and smart management approaches, thereby carrying out hospital administration through data access and achieving hospital informationization by building hospital smart management database and other means.

The introduction and implementation of the above medical reform policies provide opportunities for the Group to explore various business models. The Group will proactively overcome challenges and difficulties and seize the development opportunities to keep enhancing its brand influence and continue to promote and implement the "Three-step" strategic development plan with a focus on "strengthening the management and control system, enhancing the quality of assets and exploring innovative business models".

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

In the first half of 2021, under the guidance of overall strategy, the Group fully leveraged the comprehensive strengths of the operation team to strengthen management and control system, enhance the quality of asset and explore innovative business models in accordance with the existing "Three-step" strategy in addition to maintaining the stable operation of all Group Hospitals. The Group also communicated with and gained understanding of private hospitals in the key districts to be focused on by the Group, and conducted multiple site visits to such hospitals. While maintaining its focus on the Internet medical industry, the Group explored the implementation of Internet diagnosis and treatment models, and incubation of projects that integrates online and offline medical services.

Honghe Pharmaceutical (Zhejiang) Co., Ltd.* (弘和醫藥(浙江)有限公司) ("**Honghe Pharmaceutical**", a supply chain subsidiary of the Company) obtained its business license on 22 February 2021 and then successfully obtained business licenses for GSP and Class III devices, marking the official launch of the Group's strategic plans for supply chain. Adhering to the approach of "quality-oriented and regulated operation", Honghe Pharmaceutical adopts strict, standardized and regulated management. In the future, Honghe Pharmaceutical will continue to devote efforts in supply chain management of hospitals to strengthen the pharmaceutical supply chain business.

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

As at the date of this announcement, the number of beds in the hospitals owned, managed or founded by the Group ("**Group Hospitals**") remains the same as that as at the end of 2020.

Continuing to strengthen operations to create value on an ongoing basis

The Group adopted comprehensive measures for the Group Hospitals such as streamlining strategic positioning, reinforcing cultural development, providing management tools, nurturing cadres, implementing management system, assisting in attracting mid- to high-end talents, which facilitated the continued healthy development of each Group Hospital. The Group continued to promote a two-level coordinated development model for itself and the Group Hospitals, provide support and value-added services to Group Hospitals in various key aspects and continuously improve the operation of the Group and the Group Hospitals, including the improvement of, among others, significant event reporting, financial budgets and final accounts and capitalization of expenditures; the medical management department has established a coordinated management group to work on resources sharing between the Group and Group Hospitals to improve operation of the hospitals and enhance synergy. It also continued to work on the informatization construction of the Group and Group Hospitals; and continued to work on the standardized management of the Company to strengthen connection with shareholders and resources in the capital market.

The Group has achieved certain results in constantly improving the integrated operation and management of the Group Hospitals, which has laid a solid foundation for the continuing steady and healthy growth of each Group Hospital in the future. In April 2021, the Group held its first administrator management salon with an aim to build a learning and communication platform among administrators, through which learning, exchange and discussion on topics focusing on difficulties and weaknesses of hospital administration were carried out, laying a solid foundation for the management personnel of each Group Hospital to achieve "enhancing the quality of assets". In June 2021, the Group organized a class for improving capability of medical insurance management talents with an aim to enhance the knowledge on medical insurance policies of medical staff in Group Hospitals and further regulate diagnosis and treatment behaviours, thereby achieving more standardized diagnosis and treatment services process and more precise policy implementation in each Group Hospital to lay a solid foundation for successfully carrying out medical insurance work in the future and achieve the ultimate goal of mutual benefits among hospitals, patients and medical insurance.

At the same time, the Group continued to focus on progressing lean projects so that following the effective organization, project selection, implementation and execution in Group Hospitals, the lean management philosophy can be deepened, application of quality management tools can be popularized and project management can be enhanced. The practical application of various achievements has improved the medical safety and service quality of each hospital, thereby enhancing management and hospital value.

During the Reporting Period, the Group Hospitals recorded approximately 1,229,859 out-patient visits, representing a 17% increase when compared with 1,048,985 out-patient visits for the Corresponding Period of Previous Year; approximately 42,608 in-patient visits (based on discharges), representing an increase of 13% when compared with 37,622 in-patient visits for the Corresponding Period of Previous Year; approximately 10,284 in-hospital surgical operations, representing an increase of 34% when compared with 7,681 in-hospital surgical operations for the Corresponding Period of Previous Year. As the current COVID-19 pandemic situation in the PRC continues but gradually stabilizes as compared with the Corresponding Period of Previous Year, the operating business performance of some of the Group Hospitals improved as compared with the Corresponding Period of Previous Year. It is expected that the business (including the volume of out-patient visits, in-patient visits and surgical operations of Group Hospitals) of the Group in 2021 will still be affected by the COVID-19 pandemic, but the overall impact will be controllable.

The Group will continue to promote and implement the "Three-step" development strategy in the second half of 2021 and proactively promote integration of industry resources. The principal measures to be adopted include:

As the first step, the Group will strengthen the management and control system to further establish standards and rules, so as to optimize its management and control system and rebuild the corporate culture, which mainly includes:

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

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

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

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

1. Building the information system of the Group. The Chief Technology Officer of the Group and the technology department are responsible for the overall IT infrastructure construction and digitalization of the Group and the Group Hospitals. While further promoting hospital information infrastructure construction and application upgrade, the Group drew experience therefrom to update and optimize the overall IT blueprint and plan, so as to implement, design and launch the group-wide digitalized medical operation solutions in phases;

2. Optimizing the supply chain system of the Group. The Supply Chain Director guided the optimization of the development of the supply chain system of the Group. Honghe Pharmaceutical, a supply chain subsidiary of the Company, will gradually undertake the business of drug and large-scale medical equipment procurement of the Group Hospitals in the future. The Group will enhance the management "pharmacy at one's own expense" in Group Hospitals as well as optimizing the connection of IT information system between Honghe Pharmaceutical and the Group Hospitals, so as to further increase operation efficiency;

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

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

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

2. Researching into the direction of business model innovation. The Group carried out in-depth research on the latest development trend in the current medical service industry, thereby exploring potential opportunities for business model innovation of the Group in the future. This includes, but is not limited to, upstream and downstream medical services in the industry chain, online healthcare, third-party cooperation and empowerment, and in-depth construction of the supply chain system for the Group.

FINANCIAL REVIEW

Results of Operations

During the Reporting Period, our revenue was approximately RMB207.2 million, representing an increase of approximately 14.7% when compared with approximately RMB180.7 million of the Corresponding Period of Previous Year, which was mainly attributable to an increase in management service fees derived from Shanghai Yangsi Hospital* (上海楊思醫院) ("**Yangsi Hospital**") and an increase in the amount of revenue from the provision of general hospital services by Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) ("**Jiande Hospital**") to individual patients.

Our revenue from the hospital management services segment included our revenue from the provision of hospital management services to Yangsi Hospital, Cixi Honghe Hospital*（慈溪弘和醫院）("**Cixi Hospital**") and Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院) ("**Jinhua Hospital**"). During the Reporting Period, the revenue from this segment was approximately RMB112.2 million, representing an increase of approximately 11.1% when compared with approximately RMB101.0 million of the Corresponding Period of Previous Year. The increase in revenue was mainly attributable to the increase in the management service fees recognized for providing services to Yangsi Hospital.

During the Reporting Period, our revenue from the general hospital services segment increased by approximately 17.5% to approximately RMB93.5 million from approximately RMB79.6 million in the Corresponding Period of Previous Year. Revenue from this segment for the Reporting Period increased mainly due to an increase in the amount of revenue from the provision of general hospital services by Jiande Hospital to individual patients, which was the result of the increase in the number of out-patient and in-patient visits of Jiande Hospital for the Reporting Period.

Our adjusted gross profit was approximately RMB112.9 million for the Reporting Period, excluding the impacts of expenses of share-based awards and amortization of identifiable intangible assets identified in acquisitions, representing an increase of approximately 17.2% when compared with approximately RMB96.4 million for the Corresponding Period of Previous Year. This was mainly attributable to the increase in the management service fees recognized for providing services to Yangsi Hospital.

We recorded adjusted administrative expenses of approximately RMB20.6 million for the Reporting Period, excluding the impacts of other one-off employee benefit expenses, representing a decrease of approximately 24.9% when compared with approximately RMB27.5 million for the Corresponding Period of Previous Year, which was primarily due to a decrease in employee benefit expenses and professional service fees for the Reporting Period when compared with the Corresponding Period of Previous Year.

We recorded adjusted operating profit of approximately RMB91.1 million for the Reporting Period, representing an increase of approximately RMB22.8 million from approximately RMB68.3 million for the Corresponding Period of Previous Year. This is mainly due to the increase in the management service fees recognized for providing services to Yangsi Hospital.

We recorded adjusted financial expense (net) of approximately RMB1.1 million for the Reporting Period, excluding the impact of foreign exchange losses mainly relating to cash and cash equivalents, and financial expenses on other financial liability at amortized cost, representing a decrease of approximately RMB4.7 million when compared with the financial income (net) of approximately RMB3.6 million for the Corresponding Period of Previous Year. The decrease in financial income (net) was primarily due to a decrease of approximately RMB6.2 million in interest income from loan to a related party, demand deposit, term deposit and deposit held at call when compared with the Corresponding Period of Previous Year.

For the Reporting Period, we have recorded an Adjusted Net Profit of approximately RMB69.9 million, representing an increase of approximately 23.7% when compared to the Adjusted Net Profit of approximately RMB56.5 million of the Corresponding Period of Previous Year. Without taking into account the impact of the adjusted items, such increase was mainly due to the increase in the management service fees recognized for providing services to Yangsi Hospital.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, our total equity was approximately RMB957.2 million (as at December 31, 2020: approximately RMB1,367.2 million). As at June 30, 2021, we had current assets of approximately RMB1,273.1 million (as at December 31, 2020: approximately RMB1,265.9 million) and current liabilities of approximately RMB442.7 million (as at December 31, 2020: approximately RMB481.1 million). As at June 30, 2021, our current ratio was approximately 2.88, as compared with approximately 2.63 as at December 31, 2020.

Our current assets increased by approximately RMB7.2 million from approximately RMB1,265.9 million as at December 31, 2020 to approximately RMB1,273.1 million as at June 30, 2021, primarily due to an increase in receivables from related parties and financial assets at fair value through profit or loss. Our current liabilities decreased by approximately RMB38.4 million from approximately RMB481.1 million as at December 31, 2020 to approximately RMB442.7 million as at June 30, 2021, primarily due to the decrease in borrowings due within one year and the decrease in balances of accruals, other payables and provisions.

Our primary uses of cash in the Reporting Period were for working capital, term deposits and payment for financial assets at fair value through profit or loss. We financed our liquidity requirements mainly with cash flows generated from our operating activities. As at June 30, 2021, we had bank borrowings of approximately RMB72.0 million (as at December 31, 2020: approximately RMB131.7 million), and we had cash and cash equivalents of approximately RMB769.7 million (as at December 31, 2020: approximately RMB860.7 million).

	Bank borrowings	
	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Within 1 year	**55,983**	97,309
Between 1 and 2 years	**15,983**	34,386
	71,966	131,695

As at June 30, 2021, the net gearing ratio, calculated based on the borrowing balance divided by the total equity, of the Company is approximately 7.5%. The Directors believed that, after taking into account the financial resources available to us, which include internally generated funds and the net proceeds from the Listing, we had sufficient working capital to meet our needs. As at June 30, 2021, the Group did not have any other material contingent liabilities or guarantees.

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, 2021 until June 30, 2021.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of June 30, 2021, 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 June 30, 2021, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD and HKD.

The Group did not use any derivative financial instruments to hedge foreign exchange risk. The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

PLEDGE OF ASSETS

As at December 31, 2020 and 2019, Impeccable Success has pledged its paid-up equity interests in Zhejiang Honghe Zhiyuan to Industrial and Commercial Bank of China Jinhua Economic Development Zone Branch to secure certain loans granted to Jinhua Hospital with a maximum amount of RMB412.5 million.

As at December 31, 2020 and 2019, Zhejiang Honghe Zhiyuan has provided a joint liability to Industrial and Commercial Bank of China Jinhua Economic Development Zone Branch in respect of the same loans granted to Jinhua Hospital with a maximum amount of RMB550 million.

Saved as disclosed above, as at June 30, 2021, the Group has pledged its assets as security for bank borrowings, details of which are set out in Note 10 to the interim condensed consolidated financial information.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2021.

HUMAN RESOURCES

As at June 30, 2021, we had a total of 493 employees (June 30, 2020: 473). We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the six months ended June 30, 2021, the total employee benefits expenses (including Directors' remuneration) were RMB56.3 million (the first half year of 2020: RMB57.3 million).

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

EVENTS AFTER THE REPORTING PERIOD

Revision of annual cap of the continuing connected transactions under the Medical Consumables and Equipment Procurement Agreement

In view of its anticipated business development, Jiande Hospital (which is owned as to 70% by the Company indirectly and 30% by Hangzhou Jinhoubo Enterprise Management Co., Ltd.* (杭州金厚樸企業管理有限公司, "**Hangzhou Jinhoubo**") directly, and Hangzhou Jinhoubo is in turn held as to 90% by Mr. Hong Jiangxin (洪江鑫) and 10% by Mr. Hong Yang (洪楊)) will include some of the medical consumables and equipment originally purchased from other third parties into the scope of procurement from Zhejiang Dajia Medical Instruments Co., Ltd.* (浙江大佳醫療器械有限公司, "**Zhejiang Dajia**"), and taking into consideration the historical transaction amounts of such medical consumables and equipment purchased from third parties, the Board envisages that the existing annual cap for the transactions contemplated under the Medical Consumables and Equipment Procurement Agreement entered into on 3 June 2019 between Jiande Hospital and Zhejiang Dajia (the "**Medical Consumables and Equipment Procurement Agreement**") for the financial year ending December 31, 2021 will not be sufficient. On July 12, 2021, Jiande Hospital and Zhejiang Dajia entered into a supplemental agreement to revise the annual cap for the continuing connected transactions under the Medical Consumables and Equipment Procurement Agreement for the financial year ending December 31, 2021 from RMB9.0 million to RMB12.0 million.

Please refer to the announcements of the Company dated July 12, 2021 and June 3, 2019 for details.

Exercise of Put Option

As one of the conditions to the completion of the acquisition of Oriental Ally Holdings Limited contemplated under the Share Purchase Agreement dated May 29, 2018 (the "**Acquisition of Oriental Ally**"), the Company granted a put option (the "**Put Option**") to Hony 2015 (Shenzhen) Equity Investment Funds Center (Limited Partnership)* (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥), "**Hony 2015**"), Hony Capital Management (Tianjin) (Limited Partnership)* (弘毅投資管理(天津)(有限合夥), "**Hony Tianjin**") and Hony Kangshou Management Consulting (Shanghai) Co., Ltd.* (弘毅康壽管理諮詢(上海)有限公司，"**Kangshou**", a limited liability company established under the laws of the PRC and held as to 99.9% by Hony 2015 and 0.1% by Hony Tianjin (collectively, the "**Guangsha Minority Shareholders**") under a undertaking letter (the "**Undertaking Letter**"), pursuant to which the Company undertook to acquire the remaining 25% equity interests in Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd.* (浙江弘和致遠醫療科技有限公司，"**Zhejiang Honghe Zhiyuan**", formerly known as Zhejiang Guangsha Medical Technology Co., Ltd* 浙江廣廈醫療科技有限公司) held by Kangshou (the "**Remaining Interests**") (the "**Subsequent Acquisition**"), no later than the date falling on the third anniversary of the date of completion of the Acquisition of Oriental Ally (i.e. on or before August 7, 2021) at the purchase price of not less than RMB210 million plus other reasonable expenses incurred by the Guangsha Minority Shareholders in connection with their investment in Zhejiang Honghe Zhiyuan.

The Guangsha Minority Shareholders had informed the Company on August 5, 2021 that they intended to exercise the Put Option to require the Company to acquire the Remaining Interests in accordance with the terms and conditions of the Undertaking Letter. After receipt of the exercise notice, the Company shall enter into definitive agreement(s) in respect of the Subsequent Acquisition with Kangshou, and the Subsequent Acquisition is expected to be effected by way of equity transfer or through alternative transaction structure permitted under the PRC laws and regulations.

As at the date of this announcement, the parties are in the process of negotiating the specific terms of the Subsequent Acquisition, including but not limited to, the actual purchase price for the Remaining Interests which shall be determined with reference to a valuation of the Remaining Interest to be conducted by an independent professional valuer appointed by the parties. The Company currently expects that the above conditions will be fulfilled in the first quarter of 2022.

As the Board deems Kangshou as a connected person of the Company for the purpose of the Subsequent Acquisition, the Subsequent Acquisition will constitute a connected transaction of the Company. The Company will comply with the relevant requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") with respect to the Subsequent Acquisition in due course, including but not limited to the announcement, circular, appointment of independent financial adviser and shareholders' approval requirements (as applicable).

Please refer to the announcements of the Company dated August 5, 2021 and May 29, 2018 and the circular of the Company dated June 24, 2018 for details.

Proposed alteration of terms of the LW Convertible Bonds

On August 12, 2021, in accordance with the terms and conditions of the convertible bonds issued to Leap Wave Limited ("**Leap Wave**") on February 27, 2019 in the aggregate principal amount of HK$800,000,000 (the "**LW Convertible Bonds**"), upon approval of Leap Wave, the Company executed a deed of amendment to amend certain terms of the LW Convertible Bonds in relation to early redemption, subject to and effective from the fulfilment of certain conditions precedent.

Please refer to the announcements of the Company dated December 21, 2018, January 16, 2019, February 27, 2019 and August 12, 2021 and the circular of the Company dated January 16, 2019 for details.

Save as disclosed herein, no material subsequent event was undertaken by the Company or by the Group after June 30, 2021 and up to the date of this announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Except for as disclosed below, the Board considers that, during the Reporting Period, the Company has complied with the applicable code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

AUDIT COMMITTEE

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

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Beijing, China, August 30, 2021

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

* *For identification purpose only*