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**Hospital Corporation of China Limited**

**弘和仁愛醫療集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3869)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Hospital Corporation of China Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the year ended December 31, 2022 (the “**year under review**”), together with the comparative figures in 2021.

## FINANCIAL HIGHLIGHTS

	<b>As at December 31,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>	<b>1,142,951</b>	520,290
Gross profit margin	<b>13.2%</b>	41.2%
Adjusted gross profit margin <sup>(1)</sup>	<b>15.2%</b>	45.5%
Loss for the year	<b>(528,597)</b>	(362,396)
Adjusted profit for the year <sup>(2)</sup>	<b>65,858</b>	152,679
Basic loss per share	<b>(3.480)</b>	(2.031)
 <b>Adjusted items</b>		
Expenses of share-based awards <sup>(2)(i)</sup>	<b>(621)</b>	44,269
Depreciation and amortization of identifiable assets identified in acquisitions <sup>(2)(iii)</sup>	<b>23,297</b>	22,281
Losses on fair value change of convertible bonds and foreign exchange losses <sup>(2)(ii)</sup>	<b>135,861</b>	501
Investing and financing related expenses	–	538
Total amount of impairment losses on intangible assets and the reversal of deferred income tax liabilities caused by the impairment on intangible assets <sup>(2)(iv)</sup>	<b>435,918</b>	447,486

### Notes:

- (1) Adjusted gross profit margin is calculated as the gross profit margin for the year, excluding the impact from the cost of depreciation and amortization of identifiable assets identified in acquisitions.
- (2) The Group recorded a net loss of RMB528.6 million during the year ended December 31, 2022. 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 relevant expenses of share-based awards of RMB0.6 million; (ii) the losses on fair value change of convertible bonds of RMB119.5 million and foreign exchange losses of RMB16.4 million mainly arising from other foreign currency liabilities; (iii) depreciation and amortization of identifiable assets identified in acquisitions of RMB23.3 million; and (iv) impairment losses on intangible assets of RMB460.3 million and the reversal of deferred income tax liabilities caused by the impairment on intangible assets of RMB24.4 million. For the calculation of the Adjusted Profit for the Year, tax impacts of the adjusted items were not considered.
- (3) The losses for the year were mainly due to the impairment of certain goodwill and other intangible assets. Impairment losses are one-off non-cash items recorded during the year, which have no direct impact on the cash flow of the Group.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Expressed in Renminbi (“RMB”))

	<i>Notes</i>	<b>2022</b> <b>RMB’000</b>	2021 <i>RMB’000</i>
<b>Revenue</b>	3	<b>1,142,951</b>	520,290
Cost of revenue		<u>(992,073)</u>	<u>(306,063)</u>
<b>Gross profit</b>		<b>150,878</b>	214,227
Selling expenses		(344)	(2,006)
Administrative expenses		(95,158)	(95,872)
Net impairment losses on financial assets		(1,867)	(26,477)
Impairment losses on intangible assets		(460,283)	(551,981)
Other income		5,942	7,181
Other (losses)/gains, net	4	<u>(137,156)</u>	<u>19,854</u>
<b>Operating loss</b>		<b>(537,988)</b>	(435,074)
Finance income		14,599	6,733
Finance costs		<u>(9,239)</u>	<u>(20,761)</u>
<b>Loss before taxation</b>		<b>(532,628)</b>	(449,102)
Income tax	5	<u>4,031</u>	<u>86,706</u>
<b>Loss for the year</b>		<b>(528,597)</b>	(362,396)
<b>Other comprehensive income</b>			
<b>Item that will not be subsequently reclassified to profit or loss</b>			
– Remeasurement of defined benefit obligations		<u>(2,781)</u>	–
<b>Total comprehensive income for the year</b>		<u><b>(531,378)</b></u>	<u>(362,396)</u>
<b>Attributable to:</b>			
Owners of the Company		(480,948)	(280,709)
Non-controlling interests		<u>(50,430)</u>	<u>(81,687)</u>
<b>Total comprehensive income for the year</b>		<u><b>(531,378)</b></u>	<u>(362,396)</u>
<b>Loss per share:</b>			
– Basic and diluted loss per share (in RMB)	6	<u><b>(3.480)</b></u>	<u>(2.031)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2022**

(Expressed in RMB)

	<i>Notes</i>	<b>As at December 31,</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		218,933	250,715
Right-of-use assets		44,877	48,458
Intangible assets		1,162,237	1,637,308
Deferred income tax assets		9,312	9,284
Other receivables, deposits and prepayments		466	2,374
Amount due from related parties		156,726	—
<b>Total non-current assets</b>		<b>1,592,551</b>	<b>1,948,139</b>
<b>Current assets</b>			
Inventories		57,068	48,033
Trade receivables	7	71,543	114,794
Other receivables, deposits and prepayments		15,340	9,975
Amounts due from related parties		71,457	222,802
Financial assets at fair value through profit or loss		129,848	338,905
Term deposits		696	638
Cash and cash equivalents		497,061	440,428
<b>Total current assets</b>		<b>843,013</b>	<b>1,175,575</b>
<b>Total assets</b>		<b>2,435,564</b>	<b>3,123,714</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		123	123
Share premium		435,304	435,304
Other reserves		870,779	929,345
Accumulated losses		(1,050,496)	(566,799)
		<b>255,710</b>	<b>797,973</b>
Non-controlling interests		187,718	337,854
<b>Total equity</b>		<b>443,428</b>	<b>1,135,827</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2022 (continued)**

*(Expressed in RMB)*

	<i>Notes</i>	<b>As at December 31,</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible bonds		–	906,916
Lease liabilities		<b>6,240</b>	7,607
Employment benefit obligations		<b>49,111</b>	42,798
Deferred income tax liabilities		<b>151,056</b>	178,741
Accruals, other payables and provisions		–	325,804
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>206,407</b>	1,461,866
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade payables	8	<b>136,855</b>	124,300
Convertible bonds	9	<b>1,026,407</b>	–
Accruals, other payables and provisions		<b>520,757</b>	287,419
Amounts due to related parties		<b>10,757</b>	13,246
Contract liabilities		<b>2,148</b>	1,494
Current income tax liabilities		<b>17,849</b>	27,030
Borrowings	11	<b>69,429</b>	71,018
Lease liabilities		<b>1,527</b>	1,514
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>1,785,729</b>	526,021
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>1,992,136</b>	1,987,887
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<b>Total equity and liabilities</b>		<b>2,435,564</b>	3,123,714
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# 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 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 hospitals; (ii) provision of management and consultation services to certain not-for-profit hospitals and (iii) sale of pharmaceutical products in the People’s Republic of China (the “PRC”).

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

#### *(i) Compliance with IFRSs and Hong Kong Companies Ordinance*

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

#### *(ii) Historical cost convention*

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

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

**(iii) Going concern basis**

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern basis, which assumes that the Group will be able to meet its obligations and continue its operations for the next twelve months, notwithstanding that for the year ended December 31, 2022, the Group recorded net loss of RMB528,597,000 and net current liabilities of RMB942,716,000 as at December 31, 2022, including certain convertible bonds of RMB1,026,407,000 which will mature in 2023.

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. In regard to the existing terms and conditions, the Group commences discussion with both bondholders to propose extensions of the two convertible bonds for at least one year. The directors of the Company are of the opinion that the convertible bonds are likely to be successfully extended for at least one year upon their maturity based on its past experience for the extension of its convertible bond.

Besides, the directors of the Company has reviewed the Group's cash flow forecast for the next twelve months after December 31, 2022, and are of the opinion that the Group will have sufficient cash flows to meet its liabilities. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

**(iv) New and amended standards adopted by the Group**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statement for the current accounting period:

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

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

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

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

		<i>Effective Date</i>
IFRS 17	<i>Insurance Contracts</i>	January 1, 2023
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	January 1, 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	January 1, 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	January 1, 2023

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3 SEGMENT INFORMATION

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

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

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

#### (i) General hospital services

Revenue from this segment is generated in the PRC and derived from hospital services provided by Jiande Hospital of Traditional Chinese Medicine Co., Ltd.\* (“Jiande Hospital”) (建德中醫院有限公司), Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.\* (“DJ Pharmaceutical Technology”) (建德大家中醫藥科技有限公司), Jiande Xinlin Pharmacy Co., Ltd.\* (“Xinlin Pharmacy”) (建德鑫林大藥房有限公司) and Shanghai Yangsi Hospital\* (“Yangsi Hospital”) (上海楊思醫院).

For general hospital services, revenue primarily derives from highly diversified individual patients and no single patient contributed 1% or more of the Group’s respective revenue for the years ended December 31, 2022 and 2021, respectively.

#### (ii) Hospital management services

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



### (iii) Sale of pharmaceutical products

Revenue from this segment is generated in the PRC and is mainly derived from sale of pharmaceutical products by Zhejiang Dajia Medicines Co., Ltd.\* (“DJ Medicines”) (浙江大佳醫藥有限公司) and Honghe (Jinhua) Pharmaceutical Co., Ltd.\* (“Jinhua Pharmacy”) (弘和(金華)藥業有限公司).

### (iv) Unallocated

The “Unallocated” category mainly represents the headquarter income and expenses.

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

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Sale of pharmaceutical products <i>RMB'000</i>	Elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2022</b>						
Segment revenue	1,053,374	191,087	11,124	(113,484)	850	1,142,951
Inter-segment revenue	(4,000)	(109,484)	–	113,484	–	–
Revenue from external customers	<u>1,049,374</u>	<u>81,603</u>	<u>11,124</u>	<u>–</u>	<u>850</u>	<u>1,142,951</u>
Timing of revenue recognition						
– At a point in time	518,718	53,552	11,124	–	–	583,394
– Over time	<u>530,656</u>	<u>28,051</u>	<u>–</u>	<u>–</u>	<u>850</u>	<u>559,557</u>
	<u>1,049,374</u>	<u>81,603</u>	<u>11,124</u>	<u>–</u>	<u>850</u>	<u>1,142,951</u>
<b>EBITDA</b>	123,962	(446,748)	5,949	–	–	(316,837)
Depreciation	(42,050)	(3,622)	(67)	–	(743)	(46,482)
Amortization	(8,382)	(8,379)	–	–	(36)	(16,797)
Finance (costs)/income	<u>(1,185)</u>	<u>138</u>	<u>(25)</u>	<u>–</u>	<u>6,432</u>	<u>5,360</u>
Unallocated expense, net					<u>(157,872)</u>	<u>(157,872)</u>
Profit/(loss) before income tax	<u>72,345</u>	<u>(458,611)</u>	<u>5,857</u>	<u>–</u>	<u>(152,219)</u>	<u>(532,628)</u>
<b>As at December 31, 2022</b>						
Segment assets	784,635	674,829	19,603	(86,688)	297,317	1,689,696
Goodwill	<u>58,495</u>	<u>687,373</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>745,868</u>
Total assets	<u>843,130</u>	<u>1,362,202</u>	<u>19,603</u>	<u>(86,688)</u>	<u>297,317</u>	<u>2,435,564</u>
Total liabilities	<u>506,604</u>	<u>151,755</u>	<u>3,415</u>	<u>(86,688)</u>	<u>1,417,050</u>	<u>1,992,136</u>

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Sale of pharmaceutical products <i>RMB'000</i>	Elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2021</b>						
Segment revenue	302,447	232,223	4,375	(18,755)	–	520,290
Inter-segment revenue	(4,011)	(14,744)	–	18,755	–	–
Revenue from external customers	<u>298,436</u>	<u>217,479</u>	<u>4,375</u>	<u>–</u>	<u>–</u>	<u>520,290</u>
Timing of revenue recognition						
– At a point in time	155,526	21,045	4,375	–	–	180,946
– Over time	<u>142,910</u>	<u>196,434</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>339,344</u>
	<u>298,436</u>	<u>217,479</u>	<u>4,375</u>	<u>–</u>	<u>–</u>	<u>520,290</u>
<b>EBITDA</b>	16,707	(395,772)	(8,678)	–	–	(387,743)
Depreciation	(13,137)	(2,069)	(225)	–	(40)	(15,471)
Amortization	(7,726)	(16,623)	(38)	–	(1,287)	(25,674)
Finance (costs)/income	<u>(4,109)</u>	<u>(110)</u>	<u>(26)</u>	<u>–</u>	<u>(9,783)</u>	<u>(14,028)</u>
Unallocated expense, net					<u>(6,186)</u>	<u>(6,186)</u>
Loss before income tax	<u>(8,265)</u>	<u>(414,574)</u>	<u>(8,967)</u>	<u>–</u>	<u>(17,296)</u>	<u>(449,102)</u>
<b>As at December 31, 2021</b>						
Segment assets	847,666	835,467	4,447	(100,322)	427,766	2,015,024
Goodwill	<u>58,495</u>	<u>1,050,195</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,108,690</u>
Total assets	<u>906,161</u>	<u>1,885,662</u>	<u>4,447</u>	<u>(100,322)</u>	<u>427,766</u>	<u>3,123,714</u>
Total liabilities	<u>465,676</u>	<u>178,956</u>	<u>2,616</u>	<u>(100,322)</u>	<u>1,440,961</u>	<u>1,987,887</u>

#### 4 OTHER (LOSSES)/GAINS, NET

	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
Net (losses)/gains on convertible bonds	<b>(119,491)</b>	12,843
Net fair value gains on financial assets at FVPL	<b>5,722</b>	5,763
Net losses on disposal of property, plant and equipment	<b>(650)</b>	(142)
Others	<u><b>(22,737)</b></u>	<u>1,390</u>
	<u><b>(137,156)</b></u>	<u>19,854</u>

## 5 INCOME TAX

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax at the rates of 25% or 15% for the year ended December 31, 2022 (2021: 25% or 15%).

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax:		
– PRC corporate income tax	23,682	42,303
Deferred income tax	<u>(27,713)</u>	<u>(129,009)</u>
	<u><u>(4,031)</u></u>	<u><u>(86,706)</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss before income tax	<u>(532,628)</u>	<u>(449,102)</u>
Calculated at taxation rate of 25%	(133,157)	(112,276)
Effect of different tax rates and income tax exemption available to different entities of the Group	(9,435)	(3,049)
Expenses not tax deductible	90,803	35,436
Tax effect of unrecognized tax losses	41,921	3,330
Utilization of tax losses in previous years	(28)	(2,366)
Withholding tax	–	8,888
Others	<u>5,865</u>	<u>(16,669)</u>
Income tax	<u><u>(4,031)</u></u>	<u><u>(86,706)</u></u>

### (i) *Cayman Islands Income Tax*

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

### (ii) *Hong Kong Profits Tax*

Hong Kong profits tax rate was 16.5% for the year ended December 31, 2022 (2021: 16.5%). No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong Profits Tax for the years ended December 31, 2022 and 2021.

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

The income tax rate of Tibet Honghe Zhiyuan Business Management Co., Ltd.\* (“Honghe Zhiyuan”) 西藏弘和志遠企業管理有限公司, Tibet Dazi Honghe Ruixin Business Management Co., Ltd.\* (“Honghe Ruixin”) 西藏達孜弘和瑞信管理有限公司 and Tibet Hongai Business Management Co., Ltd.\* (“Tibet Hongai”) 西藏弘愛企業管理有限公司 was 15% for the year ended December 31, 2022 (2021: 15%). Yangsi Hospital was exempted from income tax due to the nature of not-for-profit hospital. The income tax rate of other subsidiaries was 25% for the year ended December 31, 2022 (2021: 25%).

**(iv) Withholding Tax**

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

**6 LOSS PER SHARE**

**(i) Basic loss per share**

Basic loss per share is calculated by dividing:

- The loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year excluding shares held for employee share scheme.

	<b>2022</b>	2021
Total loss attributable to owners of the Company (RMB’000)	<b>(480,948)</b>	(280,709)
Weighted average number of ordinary shares in issue (in thousands)	<b>138,194</b>	138,194
Basic loss per share (in RMB)	<b><u>(3.480)</u></b>	<u>(2.031)</u>

**(ii) Diluted loss per share**

The Group had potential dilutive shares during the year ended Decemebr 31, 2022 and 2021 related to the convertible bonds. Mainly due to the Group’s negative financial results during the year ended December 31, 2022 and 2021, relative convertible bonds have anti-dilutive effect on the Group’s loss per share. Thus, diluted loss per share is equivalent to the basic loss per share for the year ended December 31, 2022 and 2021.

## 7 TRADE RECEIVABLES

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Trade receivables	<b>79,179</b>	121,533
Less: loss allowance	<b>(7,636)</b>	(6,739)
	<hr/>	<hr/>
Trade receivables, net of loss allowance	<b>71,543</b>	114,794
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
1 – 90 days	<b>78,040</b>	114,536
91 – 180 days	<b>221</b>	4,033
181 days – 1 year	<b>619</b>	2,697
Over 1 year	<b>299</b>	267
	<hr/>	<hr/>
	<b>79,179</b>	121,533
	<hr/> <hr/>	<hr/> <hr/>

## 8 TRADE PAYABLES

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

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 90 days	<b>119,820</b>	112,350
91 to 180 days	<b>8,383</b>	6,203
181 days to 1 year	<b>3,775</b>	2,581
Over 1 year	<b>4,877</b>	3,166
	<hr/>	<hr/>
	<b>136,855</b>	124,300
	<hr/> <hr/>	<hr/> <hr/>

## 9 CONVERTIBLE BONDS

The movement of the convertible bonds is as follows:

	<b>Convertible bonds</b> <i>RMB'000</i>
<b>As at January 1, 2021</b>	1,558,245
Amortization of premium/(discount) with principal amount at initial recognition	(1,527)
Fair value change	39,842
Redemption of convertible bonds during the year	<u>(689,644)</u>
<b>As at December 31, 2021</b>	<u><u>906,916</u></u>
<b>As at January 1, 2022</b>	906,916
Amortization of premium/(discount) with principal amount at initial recognition	(1,527)
Fair value change	<u>121,018</u>
<b>As at December 31, 2022</b>	<u><u>1,026,407</u></u>

## 10 DIVIDENDS

No dividend has been declared by the Company for the year ended December 31, 2022 (2021: nil).

## 11 BORROWINGS

	<b>As at December 31,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Bank borrowing		
– Secured but unguaranteed	<b>59,000</b>	31,018
– Unsecured and unguaranteed	<b>10,429</b>	<u>40,000</u>
<b>Total borrowings</b>	<u><u>69,429</u></u>	<u><u>71,018</u></u>

## BUSINESS OVERVIEW

### Business positioning

The Group will adhere to and deepen its “Three-step” development strategy this year, refine its work objectives in three strategic directions: strengthening the management and control system, enhancing the quality of assets, and exploring new business models, and respond to the new situation of the pandemic policy and the new regulations of the national medical reform policy, and devote itself to developing from the business status quo of a general hospital chain group to a large medical service technology group. In order to achieve the adjustment of business positioning, the Group further strengthened the daily operation and management of the hospitals owned, managed and founded by the Group (the “**Group Hospital(s)**”), promoted the two-way improvement of medical service quality and operational efficiency, focused on establishing a medical service network centered on the Jinhua region and promoted the formation of regional synergy effects, so that the Group Hospitals could effectively cope with the challenges brought by the pandemic and the new normal of medical reform, and laid the foundation for the steady improvement of the Group’s overall financial performance and strategic objectives.

- **Responding to the trend of pandemic and medical reform and strengthening the management and control system.** By building a scientific management and control system, strengthening management boundaries, stimulating the vitality of the Group Hospitals by improving the hospital administrator’s incentive and restraint mechanisms, we reduced the Group’s management costs, and used the information system as a management tool to improve the quality of medical services, focusing on the needs of stakeholders such as shareholders, customers, employees, suppliers, communities and regulators, and provided safe, effective, convenient and economical medical and health services for the people, and reshaped the Group’s management philosophy and corporate culture.
- **Multiple measures taken to enhance the quality of assets.** During the year under review, the Group incorporated all the economic interests and benefits of Jiande Hospital into the Group’s consolidated financial statements through transactions; meanwhile, in accordance with the Guiding Opinions of the General Office of the State Council on Establishing a Modern Hospital Management System (General Office of State Council Circular [2017] No. 67) (《國務院辦公廳關於建立現代醫院管理制度的指導意見》(國辦發[2017]67號)) issued by the General Office of the State Council and the template of public hospital constitution issued by the National Health Commission in December 2019, the Group optimized the internal decision-making system of the hospitals in due course to better exert influence on the operation of the Group Hospitals taking into account the relevant actual management and operation of the hospitals. Along with the continuous optimization of medical quality management and efficient operation of the full-value supply chain services, the Group’s hospital management services will become increasingly comprehensive and mature, so as to promote a more rational business structure and robust improvement of asset quality.

- **Expanding business models and leveraging synergies of the Group Hospitals.** Drawing on the experience of outstanding companies in the industry, the Group piloted new business models such as specialty medical care, medical and health care integration, traditional Chinese medicine services and self-pay pharmacy on the basis of the existing comprehensive medical service business of the Group Hospitals, and sought strategic cooperation with internet medical platforms and commercial insurance companies to form complementary resources and industrial linkages.

## **Business layout**

We will seek to acquire hospitals in the Yangtze River Delta region of China that meet the Group's investment criteria, use tertiary hospitals with strong comprehensive strength as regional medical centers, create synergy and drive a number of secondary or primary hospitals in the region, and at the same time, through Internet healthcare and cross-industry cooperation, high-quality medical resources are gathered to form the Group's regional medical network.

We will fully develop and rapidly develop the Group's supply chain management system, build the Group's centralized procurement center, expand from a single medicine procurement service to a full range of hospital supply chain management services such as medicine, medical devices, medical consumables and maintenance services, use information technology tools to reduce costs and increase efficiency for management and operation, and gradually expand supply chain management services to markets outside the Group Hospitals to form new revenue growth points.

We will support the Group Hospitals to take advantage of their resources and cross-industry linkage, integrate clinical data, operation data and material data based on their existing advantageous disciplines and brands, build medical databases, seek cooperation with Internet medical platforms and commercial insurance companies, integrate resources and technical advantages in finance and technology for the regional medical industry, and build a business ecology that organically combines medical services, big data management and livelihood finance.



## INDUSTRY OVERVIEW

### Policy review

During the year under review, the reform of China's medical and health system continued to deepen. According to the "Circular of the General Office of the State Council on Printing and Issuing the Key Work for Deepening the Reform of the Pharmaceutical and Healthcare System in 2022" (Guobanfa No. [2022]14) (《關於印發深化醫藥衛生體制改革2022年重點工作任務的通知》(國辦發[2022]14號)), the policy still actively encourage the non-government funded medical institutions, to increase the supply of medical services sector and promote the expansion and balanced layout of high-quality medical resources. Among them, the implementation of the policy of encouraging the establishment or joining of medical consortia has provided an important support to the development of socially run hospitals:

- (1) The "Circular of the General Office of the State Council on Printing and Issuing the Key Work for Deepening the Reform of the Pharmaceutical and Healthcare System in 2022" (Guobanfa No. [2022]14) (《關於印發深化醫藥衛生體制改革2022年重點工作任務的通知》(國辦發[2022]14號)) supports the sustainable, healthy and standardized development of non-government funded medical institutions, and supports the non-government funded medical institutions to take the lead in the establishment or participation in medical consortia;
- (2) According to the "Guidelines for the Establishment and Planning of Medical Institutions (Year 2021-2025)" (Guowei Yifa No. [2022]3) (《醫療機構設置規劃指導原則(2021-2025年)》(國衛醫發[2022]3號)), the government does not limit the total number and space of non-government funded medical institutions, and encourages medical institutions organized by social forces to take the lead in establishing or joining medical consortia, so as to leave more space for the development of non-government funded medical institutions.

Meanwhile, the Chinese government continues to deepen the reform of medical service, medical insurance, and medical-pharm linkage, pushes forward the reforms in the sectors of medical insurance payment modes, centralized procurement of medicine and medical consumables, informatization, and standardization, and sets forth higher requirements on modernization of medical service management to help private medical institutions achieve high-quality and sustainable development:

- (1) According to the “Notice of the Health Commission on Taking the Special Inspection Action to National Private Hospitals in 2022” (Guowei Yihan No. [2022]45) (《衛生健康委關於開展2022年度全國民營醫院專項巡查行動的通知》(國衛醫函[2022]45號)), the National Health Commission has decided to organize and carry out a special inspection action to national private hospitals for one year from March 2022, in order to create an increasingly fair and benign competition environment for private medical institutions;
- (2) The “Notice on Further Improving the Direct Settlement of Cross-Province Medical Treatment for Basic Medical Insurance” (YiBaoFa No. [2022]22) (《關於進一步做好基本醫療保險跨省異地就醫直接結算工作的通知》(醫保發[2022]22號)) improves the direct settlement method for transprovincial medical care for basic medical insurance, standardizes the management of direct settlement services, and realizes the high-efficiency and convenience of remote settlement of medical insurance. It is beneficial for high-quality private hospital institutions to exert competitive advantages while facilitating patients to seek medical treatment in different areas;
- (3) The “Notice of Zhejiang Provincial Medical Insurance Bureau on Printing and Distributing the “Three-Year Action Plan for Zhejiang Province to Comprehensively Promote the Reform of Medical Insurance Payment Methods”(Zheyibaofa No. [2022]14) (《浙江省醫療保障局關於印發〈浙江省全面推進醫保支付方式改革三年行動計劃〉的通知》(浙醫保發[2022]14號)) requires the establishment of a provincially unified technical specifications of Ambulatory Patient Groups (“APG”) payment and APG plans in 2022, puts forward higher requirements for hospital standardization and fine management.
- (4) The regular meeting of the State Council held on January 10, 2022 pointed out that it is necessary to promote the normalization, institutionalization and speeding up of centralized procurement, aiming to reduce pharmaceutical prices, ensure the long-term stable supply of selected medicine and consumables, and benefits offered to patients; and
- (5) The “Notice of the National Health Commission on Printing and Distributing the “14th Five-Year” Health and Health Standardization Work Plan” (Guowei Fagui No. [2022]2) (《國家衛生健康委關於印發「十四五」衛生健康標準化工作規劃的通知》(國衛法規發[2022]2號)) promotes the in-depth integration of standardization strategies and national health care cause, so as to standardize and improve the scientific, standardized and refined level of hospital management, and to provide standardized support for the healthy China initiative.

The Group believes that with the continuous encouragement and support of national and local government policies, the high-quality development environment for non-government funded medical institutions will be continuously optimized. The Group will closely follow the policy requirements of the reform of the healthcare system, seize opportunities, rise to challenges, continuously improve the level of modern management and enhance brand awareness.

## All-out fights against COVID-19 pandemic

During the year under review, the Group has always taken the pandemic prevention and control as a priority throughout the year, and issued the “Notice on the Group’s Continued Emphasis on Pandemic Prevention and Control” (《關於集團繼續強調疫情防控工作的通知》) requiring the Group Hospitals to fully implement the relevant policy requirements of the CPC and the central government, emphasizing that it is “to attach great importance to pandemic prevention and control, ensure the safety of the people, that all suspected and confirmed patients should be admitted to the hospitals, and fully implement social duties.” Finally, while ensuring the normal operation of Group Hospitals and meeting the needs of the surrounding people for medical services, we have also successfully completed the pandemic prevention and control and treatment work in the area we operate.

## RECENT DEVELOPMENTS

Time	Event
February 7, 2022	Hangzhou Jingyouzhi Enterprise Management Company Limited* (杭州靜有智企業管理有限公司) (“ <b>Hangzhou Jingyouzhi</b> ”), Hangzhou Jinhoupu Management Company Limited* (杭州金厚樸企業管理有限公司) (“ <b>Hangzhou Jinhoupu</b> ” or the “ <b>OPCO</b> ”) and Mr. Hong Jiangxin and Mr. Hong Yang (together with Mr. Hong Jiangxin, the “ <b>Vendors</b> ”) have entered into a series of structured contracts (the “ <b>Existing VIE Contracts</b> ”) on February 7, 2022.
February 16, 2022	On February 16, 2022, the Group acquired the entire equity interests of Hangzhou Jingyouzhi (holding 30% of the equity interests in Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.* (建德大家中醫藥科技有限公司) (“ <b>DJ Pharmaceutical Technology</b> ”) and Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司) (“ <b>DJ Medicines</b> ”) and controlling 30% of the equity interests in Jiande Hospital) (the “ <b>Acquisition</b> ”), at a consideration of RMB120 million in accordance with the terms and conditions under an equity transfer agreement (the “ <b>Onshore Equity Transfer Agreement</b> ”). The Group, through Hangzhou Jingyouzhi, indirectly holds 30% equity interests in DJ Medicines and DJ Pharmaceutical Technology, and indirectly controls 30% of the equity interests in Jiande Hospital through a series of structured contracts. This Acquisition contributed to revenue for the sale of pharmaceutical products and general hospital services businesses that the Group engaged in.
March 29, 2022	Ms. Shi Wenting resigned as a non-executive Director and ceased to be a member of the audit committee of the Company (the “ <b>Audit Committee</b> ”) on March 29, 2022 due to other work commitments. Ms. Pan Jianli has been appointed as an executive Director on March 29, 2022. Mr. Dang Jinxue was appointed as a member of the Audit Committee on March 29, 2022.

<b>Time</b>	<b>Event</b>
April 2022	<p>On April 2, 2022, (i) a series of agreements (the “<b>Termination Agreements</b>”) have been entered into by Hangzhou Jingyouzhi, Hangzhou Jinhoupu, and the Vendors to terminate the Existing VIE Contracts; (ii) a series of contracts (the “<b>New VIE Contracts</b>”) have been duly executed to establish the new variable interest entity (“<b>VIE</b>”) structure; and (iii) the equity transfer in the OPCO from the Vendors to Mr. Qin Chuan and Mr. Liu Hui (the “<b>PRC Equity Owners</b>”) pursuant to an equity transfer agreement (“<b>Associated Equity Transfer Agreement</b>”) has been completed. The New VIE Contracts, comprise the following: (i) the exclusive operation service agreement entered into among Jiande Heyue Enterprise Management Co., Ltd.* (建德和悦企業管理有限公司) (“<b>Jiande Heyue</b>”), the OPCO and the PRC Equity Owners; (ii) the exclusive option agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital; (iii) the entrustment agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital in favor of Jiande Heyue (and its successors or liquidators) or a natural person designated by Jiande Heyue and the annexure of the powers of attorney executed by the PRC Equity Owners and the OPCO appended thereto; and (iv) the equity pledge agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital.</p> <p>On April 3, 2022, the Company has applied for a waiver (the “<b>Waiver</b>”) pursuant to Rule 14A.102 of the Rules Governing the Listing of Securities (the “<b>Listing Rules</b>”) on The Stock Exchange of Hong Kong Limited (the “<b>Stock Exchange</b>”) from (i) fixing the term of the New VIE Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum annual cap for the service fees payable by the OPCO to Jiande Heyue under Rule 14A.53 of the Listing Rules. The Stock Exchange has granted the Waiver, subject to conditions.</p>
June 22, 2022	<p>PricewaterhouseCoopers (“<b>PricewaterhouseCoopers</b>”) retired as the auditor of the Company upon expiration of its current term of office at the conclusion of the annual general meeting of the Company held on June 22, 2022 (the “<b>2022 AGM</b>”) as the Company and PricewaterhouseCoopers could not reach a consensus on the fee for the audit of the Group for the financial year ended December 31, 2022 (the “<b>Year</b>”).</p> <p>At the 2022 AGM, KPMG has been appointed as the Company’s auditor with effect from the conclusion of the AGM and until the conclusion of the next annual general meeting of the Company.</p>

<b>Time</b>	<b>Event</b>
September 27, 2022	<p>On September 27, 2022, the Company entered into a guarantee agreement (the “<b>Guarantee Agreement</b>”) in favour of Nanyang Commercial Bank (China) Limited Beijing Branch (the “<b>Bank</b>”), pursuant to which the Company agreed to provide a corporate guarantee for Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院, which is managed by Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd* (浙江弘和致遠醫療科技有限公司) (“<b>Zhiyuan Medical</b>”)) (“<b>Jinhua Guangfu Hospital</b>”) in connection with the repayment obligations up to a maximum outstanding principal amount of RMB50 million (the “<b>Corporate Guarantee</b>”). The Corporate Guarantee is provided as a security to enable Jinhua Guangfu Hospital to obtain funds from the Bank for the purpose of maintaining its day-to-day business operations, supporting its development, and further improving its competitiveness in the healthcare sector. The Group is able to exercise its influence over the operational and managerial decisions of Jinhua Guangfu Hospital to keep track of the funds account of Jinhua Guangfu Hospital, closely monitor the operational stability and cash flow of Jinhua Guangfu Hospital, and supervise, manage and ensure the fulfillment of the repayment obligations. The Group has made the decision not to charge any fee from providing the Corporate Guarantee to Jinhua Guangfu Hospital in consideration of the contractual relationship between the Group and Jinhua Guangfu Hospital as well as the overall interests of the Group.</p>

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

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

<b>Time</b>	<b>Event</b>
	<p>On November 20, 2020, Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司) (“<b>Tibet Honghe Zhiyuan</b>”), a wholly-owned subsidiary of the Company, entered into a loan agreement (the “<b>Existing 2020 Loan Agreement</b>”) with Jinhua Guangfu Hospital, pursuant to which Tibet Honghe Zhiyuan has conditionally agreed to grant the loan to Jinhua Guangfu Hospital (the “<b>Existing 2020 Loan</b>”) for an availability period of three years from the date of signing of the Existing 2020 Loan Agreement and a term of one year from the date of the relevant drawdown of each installment of the loan. The maximum principal amount is RMB100 million at an interest rate of 4.79% per annum, which is subject to adjustment according to the applicable benchmark interest rates as published by the People’s Bank of China from time to time.</p> <p>Since the Existing 2019 Loan and Existing 2020 Loan (collectively, the “<b>Existing Loans</b>”) and the transactions contemplated under the Guarantee Agreement constitute financial assistance provided by the Company to Jinhua Guangfu Hospital, the Existing Loans and the transactions contemplated under the Guarantee Agreement are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.</p> <p>As the highest applicable percentage ratio in respect of the transactions contemplated under the Guarantee Agreement, when aggregated with the Existing Loans, is more than 5% but less than 25%, the transactions contemplated under the Guarantee Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.</p> <p>Please refer to the announcements of the Company dated July 24, 2019, November 20, 2020, September 27, 2022 and November 11, 2022 for further details.</p>
December 26, 2022	Mr. Lu Wenzuo has resigned from the position of executive Director of the Company with effect from December 26, 2022 due to the reason of age, so as to devote more time to his family.

## REVIEW OF 2022 ANNUAL PERFORMANCE

### Results of Operations

#### *Revenue*

Our revenue increased by approximately 119.7% from approximately RMB520.3 million in 2021 to approximately RMB1,143.0 million in 2022. The table below sets forth the Group's revenue by segment and by services category for the years indicated:

	For the year ended	
	December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	<b>1,142,951</b>	520,290
– Hospital management services	<b>81,603</b>	217,479
– General hospital services	<b>1,049,374</b>	298,436
– Sale of pharmaceutical products	<b>11,124</b>	4,375
– Others	<b>850</b>	–

#### *Hospital management services*

Revenue from our hospital management services segment, which consists of the provision of hospital management services to Cixi Union Hospital (“**Cixi Hospital**”) and Jinhua Guangfu Hospital, decreased by approximately 62.5% from approximately RMB217.5 million in 2021 to approximately RMB81.6 million in 2022. The decrease in revenue was mainly due to the decrease of RMB163.0 million in management service fees received from Yangsi Hospital as a result of the consolidation of the accounts of Yangsi Hospital from 6 December 2021.

#### *General hospital services*

Revenue from our general hospital services segment increased by approximately 251.6% from RMB298.4 million in 2021 to approximately RMB1,049.4 million in 2022. Revenue from this segment increased mainly due to an increase of RMB12.2 million in the revenue from the provision of general hospital services by Jiande Hospital to individual patients as a result of the increase in the number of out-patient and in-patient visits of Jiande Hospital in 2022, and an increase of RMB738.7 million in the revenue from the general hospital services of Yangsi Hospital incorporated into the consolidation starting from December 6, 2021.

### ***Sale of pharmaceutical products***

Revenue from sale of pharmaceutical products was derived from the business of Dajia Medicines and Jinhua Pharmacy. Revenue from sale of pharmaceutical products increased by RMB6.7 million from approximately RMB4.4 million in 2021 to approximately RMB11.1 million in 2022, mainly due to an increase in Jinhua Pharmacy's income from the supply of pharmaceutical products to customers.

### ***Cost of revenue***

Our cost of revenue increased by approximately 224.1% from approximately RMB306.1 million in 2021 to approximately RMB992.1 million in 2022. The increase in costs was mainly due to an increase in related cost of inventories and employee benefit expenses when compared with the Corresponding Period of Previous Year arising from the consolidation of the accounts of Yangsi Hospital since 6 December 2021.

### ***Administrative expenses***

Our administrative expenses decreased by approximately 0.7% from approximately RMB95.9 million in 2021 to approximately RMB95.2 million in 2022. The decrease in administrative expenses was mainly attributable to the decrease in employee benefit expenses.

### ***Impairment losses on intangible assets***

For the year ended December 31, 2022, we recorded impairment losses on contractual rights to provide management services and goodwill of approximately RMB97.5 million and RMB362.8 million (2021: approximately RMB410.7 million and RMB141.3 million), respectively, mainly attributable to the impairment losses on relevant intangible assets and goodwill.

### ***Other (losses)/gains, net***

Our other (losses)/gains, net decreased by approximately RMB157.0 million from other gains of RMB19.9 million in 2021 to other losses of RMB137.2 million in 2022. The decrease in other (losses)/gains, net was mainly attributable to the increase in net losses on changes of fair value of convertible bonds in 2022 of approximately RMB132.3 million.

### ***Other income***

We recorded other income of approximately RMB7.2 million and approximately RMB5.9 million for the years ended December 31, 2021 and 2022, respectively, representing a year-on-year decrease of approximately 17.3%. The decrease was mainly attributable to the decrease in repair and maintenance income of approximately RMB1.9 million.



### ***Finance income and finance costs***

Our finance income increased by approximately RMB7.9 million from approximately RMB6.7 million in 2021 to approximately RMB14.6 million in 2022, and such increase was mainly attributable to the increase of approximately RMB2.3 million in interest income from demand deposit, term deposit, deposit held at call and loan to a related party and an increase in foreign exchange gains arising from cash and cash equivalents of approximately RMB5.6 million.

Our finance costs decreased by approximately RMB11.6 million from approximately RMB20.8 million in 2021 to approximately RMB9.2 million in 2022, mainly due to (i) a decrease of approximately RMB13.3 million in foreign exchange losses in relation to cash and cash equivalents and (ii) a decrease of approximately RMB1.2 million in interest expenses on bank borrowings, which was offset by an increase in the financial expenditure for redemption of convertible bonds of RMB4.3 million.

### ***Income tax***

We recorded income tax credit of approximately RMB4.0 million for the year ended December 31, 2022, and income tax credit of approximately RMB86.7 million for the year ended December 31, 2021. The changes of approximately RMB82.7 million was mainly attributable to the increase of approximately RMB101.3 million in deferred income tax expenses, which was offset by the decrease in current income tax expenses of approximately RMB18.6 million.

### ***Loss for the year***

We recorded a net loss of approximately RMB528.6 million for the year ended December 31, 2022, representing an increase of approximately RMB166.2 million from the net loss of approximately RMB362.4 million for the corresponding period, mainly due to an increase of RMB132.3 million in the losses in fair value changes of convertible bonds.

### ***Discussion of certain items from the consolidated balance sheet***

#### ***Cash and cash equivalents***

We had cash and cash equivalents of approximately RMB440.4 million and approximately RMB497.1 million as at December 31, 2021 and 2022, respectively. The increase of approximately RMB56.6 million in 2022 was primarily attributable to the decrease in financial assets at fair value through profit or loss.

#### ***Other receivables, deposits and prepayments***

Our other receivables, deposits and prepayments increased by approximately RMB3.5 million from approximately RMB12.3 million as at December 31, 2021 to approximately RMB15.8 million as at December 31, 2022, primarily due to an increase of RMB2.5 million for the prepaid service fees.

*Financial assets at fair value through profit or loss*

Our financial assets at fair value through profit or loss as at December 31, 2022 amounted to approximately RMB129.8 million, mainly representing monetary funds. The monetary funds held by us are low-risk products.

The following table sets out the changes in the monetary funds for the year ended December 31, 2022.

	<b>Year ended December 31, 2022 RMB'000</b>
Opening balance	<b>338,905</b>
Additions	<b>407,961</b>
Settlements	<b>(622,740)</b>
(Losses)/gains recognised in other gains, net	<b>5,722</b>
	<hr/>
Closing balance	<b>129,848</b>
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During the year under review, we bought monetary funds from nine financial institutions, which are independent third parties. The purchases of monetary funds do not constitute connected transactions of the Company under the Listing Rules. As all applicable percentage ratios in respect of the purchases of monetary funds from each of the nine financial institutions are less than 5% under Rule 14.07 of the Listing Rules, the purchases of monetary funds do not constitute notifiable transactions of the Company under the Listing Rules.

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

<b>Financial assets at fair value through profit or loss</b>	<b>Name of monetary funds</b>	<b>Balances at December 31, 2022 (including dividend income) RMB</b>
Monetary Fund	Yinhua Duolibao Money Market Fund B (銀華多利寶B)	15,281,506
Monetary Fund	Da Cheng Fund (大成基金)	10,125,319
Monetary Fund	MANULIFE TEDA Money Market Fund (泰達宏利貨幣市場基金)	11,934,123
Monetary Fund	Agricultural Bank of China Huabao Cash Fund B (農業銀行華寶現金寶B)	6,500,000
Monetary Fund	HFT Monetary B (海富通貨幣B)	6,904,021
Monetary Fund	Gf Fund (廣發基金)	14,103,270
Monetary Fund	ABC Anxin Yearly Interval Open-end RMB Wealth Management Product (Eighth Tranche) (Premium) (農銀理財「農銀安心·每年開放」第8期人民幣理財產品(尊享款))	20,000,000
Monetary Fund	Huizhong CRi Sheng Ji Shu Open-ended Product (for CCB Wealth Management) (惠眾日申季贖開放式產品(代銷建信理財))	30,000,000
Monetary Fund	E Fund Wealth (易方達財富)	15,000,000

The financial assets that the Company invested in during the year ended December 31, 2022 are monetary funds with floating rates, which carry lower expected return of principal and risk as compared to stocks or corporate debt issues. These monetary funds focus on short-term securities in the capital markets, and invest in financial instruments such as certificates of deposit and short-term commercial papers with maturities not exceeding one year.

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

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

#### *Accruals, other payables and provisions*

Our accruals, other payables and provisions were approximately RMB613.2 million and approximately RMB520.8 million as at December 31, 2021 and 2022, respectively. The accruals, other payables and provisions decreased by approximately RMB92.4 million, mainly due to (i) the decrease in the early redemption payables for convertible bonds of RMB85.2 million, (ii) the decrease in duty and tax payables other than corporate income tax of RMB13.3 million and (iii) the decrease in payables to third parties of RMB20.0 million, which was offset by the increase in employee benefit payables of RMB41.6 million.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2022, our total equity was approximately RMB443.4 million (2021: approximately RMB1,135.8 million). As at December 31, 2022, we had current assets of approximately RMB843.0 million (2021: approximately RMB1,175.6 million) and current liabilities of approximately RMB1,785.7 million (2021: approximately RMB526.0 million). As at December 31, 2022, our current ratio was approximately 0.47, as compared with approximately 2.23 as at December 31, 2021.

Our current assets decreased by approximately RMB332.6 million from approximately RMB1,175.6 million as at December 31, 2021 to approximately RMB843.0 million as at December 31, 2022, primarily due to the decrease in the financial assets at fair value through profit or loss of RMB209.1 million and the decrease in receivables from related parties of approximately RMB151.3 million, which was offset by the increase in cash and cash equivalents of approximately RMB56.6 million. Our current liabilities increased by approximately RMB1,259.7 million from approximately RMB526.0 million as at December 31, 2021 to approximately RMB1,785.7 million as at December 31, 2022, primarily due to (i) the increase of RMB1,026.4 million in convertible bonds which are due within one year, (ii) the increase of RMB233.3 million in accruals, other payables and provisions.

Our primary uses of cash in 2022 were for working capital and payment for financial assets at fair value through profit or loss. We financed our liquidity requirements mainly with cash flows generated from our operating activities. In the year under review, we had net cash generated from operating activities of approximately RMB143.1 million, consisting of approximately RMB101.2 million in net cash inflows generated from our operations before changes in working capital, net cash inflows of approximately RMB69.2 million relating to changes in working capital, cash outflows on income tax paid of approximately RMB30.9 million and interests received of approximately RMB3.5 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our loss before income tax of approximately RMB532.6 million, adjusted for non-cash and non-operating items, mainly including impairment losses on intangible assets of approximately RMB460.3 million, losses on fair value change arising from the change in value of convertible bonds of approximately RMB119.5 million, and depreciation of property, plant and equipment and amortization

of intangible assets of approximately RMB63.3 million. Our net cash inflows relating to changes in working capital were primarily attributable to the increase in trade payable of approximately RMB12.1 million and the increase in accruals, other payables and provisions of approximately RMB17.0 million, and the decrease in trade receivable of approximately RMB41.4 million.

In the year under review, we had net cash inflows from investing activities of approximately RMB187.2 million, which primarily comprised proceeds from the redemption of financial assets at fair value through profit or loss of approximately RMB618.8 million, which were offset by payments for financial assets at fair value through profit or loss of approximately RMB408.0 million and payment for property, plant and equipment of approximately RMB15.6 million.

### Cash and Borrowings

We had cash and cash equivalents of approximately RMB440.4 million and approximately RMB497.1 million as at December 31, 2021 and 2022, respectively. Our borrowings amounted to approximately RMB69.4 million as at December 31, 2022 (as at December 31, 2021: approximately RMB71.0 million). Of our borrowings, approximately RMB12.9 million bear interest at a fixed rate of 4.30%, RMB47.9 million bear interest at a fixed rate of 4.1% and RMB8.2 million bear interest at a fixed rate of 3.85%. The table below sets forth the maturity profile of our borrowings in the years indicated:

	<b>Bank borrowings</b>	
	<b>2022</b>	2021
	<b><i>RMB '000</i></b>	<i>RMB '000</i>
Within 1 year	<b>69,429</b>	71,018
	<b>69,429</b>	71,018

As at December 31, 2022, the net gearing ratio of the Company was approximately 2.9% (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. As at December 31, 2022, the Group did not have any material contingent liabilities.

## **FUTURE PROSPECTS**

China's medical industry as a whole has a large scale and high development potential. After continuous research and review, we are still positive on the medical industry in the long term and will adhere to the main business of medical services, stay focused on the business development in the Yangtze River Delta region, strive to become the regional general hospital leader, combine the specialties advantages and resources of the Group hospitals, and establish a regional leading hospital cluster.

Over the past two and a half years, the Group has firmly implemented its "Three-step" strategic plan and has made significant progress in strengthening its management and control system and improving asset quality. In 2023, the Group will invest more resources to promote steady organic growth, including supporting the introduction of talents and the construction of superior disciplines in the Group hospitals, promoting the construction of the Group's supply chain management system and information integration platform, and responding to a series of healthcare reform measures such as tiered medical diagnosis and treatment and centralized procurement of medicine and consumables, the Group will actively respond to the requirements of national policies and apply operational control methods and tools that are in line with the characteristics of the healthcare industry to continuously improve the competitive advantages and brand value of the Group hospitals and strive to provide safe, effective, convenient and economical medical services to the people, while also continuing to attempt to develop new business models to achieve resource synergy between online and offline, cross-region and cross-industry, and dedicated to becoming a large medical service technology group that is trustworthy, respected and pursues excellence.

## **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, 2022 until December 31, 2022.

## **SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As of December 31, 2022, the Group did not have any significant investments or future plans for material investments or capital assets.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

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

The Group mainly operates in the PRC with most of its transactions settled in RMB. Foreign exchange rate risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

Zhiyuan Medical has provided a joint liability to Industrial and Commercial Bank of China Jinhua Economic Development Zone Branch in respect of the same loans granted to Jinhua Guangfu Hospital with a maximum amount of RMB550.0 million. As at December 31, 2022, the principal amount of loan balance of Jinhua Guangfu Hospital was RMB180.0 million.

As at December 31, 2022, Company has provided a corporate guarantee for Jinhua Guangfu Hospital and Nanyang Commercial Bank (China) Limited Beijing Branch in connection with the repayment obligations up to a maximum outstanding principal amount of RMB50 million. As at December 31, 2022, the principle amount of loan balance of Jinhua Guangfu Hospital was RMB40.0 million.

Save as disclosed above, as at December 31, 2022, the Group has pledged its assets as security for bank borrowings, details of which are set out in Note 11 to the consolidated financial statements.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

## **HUMAN RESOURCES**

As at December 31, 2022, we had a total of 1,422 employees (December 31, 2021: 1,422). We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the year ended December 31, 2022, the total employee benefits expenses (including Directors' remuneration) were approximately RMB380.8 million (2021: approximately RMB187.2 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 ended December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and relevant employees (who likely possess inside information of the Company) on terms no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year ended December 31, 2022.



## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference. The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhou Xiangliang (Chairman), Mr. Dang Jinxue and Mr. Shi Luwen. The final results of the Group for the year ended December 31, 2022, including the accounting principles and practices adopted by the Group, have been reviewed by all the members of the Audit Committee. The Audit Committee is of the opinion that such financial statements comply with applicable accounting standards, the Listing Rules and all other applicable legal requirements.

## EVENTS AFTER THE YEAR UNDER REVIEW

The Group had no significant events after December 31, 2022 and up to the date of this announcement.

## SCOPE OF WORK OF KPMG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended December 31, 2022 as set out in this annual results announcement have been agreed by the Company’s auditor, KPMG (the “**Auditor**”), as to the amounts set out in the Group’s audited consolidated financial statements for the year ended December 31, 2022. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no assurance conclusion has been expressed by the Auditor on this announcement.

\* *For identification purposes only*

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

Beijing, China, March 27, 2023

*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.*