弘和仁愛
HOSPITAL CORPORATION

弘和仁愛醫療集團有限公司
Hospital Corporation of China Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3869

2024 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Shuai（陳帥）
(Chairman and Acting Chief Executive Officer)
Mr. Pu Chengchuan（蒲成川）
Ms. Pan Jianli（潘建麗）

Non-executive Directors

Ms. Liu Lu（劉路）
Ms. Wang Nan（王楠）

Independent Non-executive Directors

Mr. Dang Jinxue（党金雪）
Mr. Shi Luwen（史錄文）
Mr. Zhou Xiangliang（周向亮）

AUDIT COMMITTEE

Mr. Zhou Xiangliang（周向亮）*(Chairman)*
Mr. Dang Jinxue（党金雪）
Mr. Shi Luwen（史錄文）

REMUNERATION COMMITTEE

Mr. Dang Jinxue（党金雪）*(Chairman)*
Mr. Pu Chengchuan（蒲成川）
Mr. Zhou Xiangliang（周向亮）

NOMINATION COMMITTEE

Mr. Chen Shuai（陳帥）*(Chairman)*
Mr. Dang Jinxue（党金雪）
Mr. Shi Luwen（史錄文）

COMPANY SECRETARY

Ms. Ho Wing Yan（何詠欣）*(ACG, HKACG (PE))*

AUTHORISED REPRESENTATIVES

Mr. Chen Shuai（陳帥）
Ms. Ho Wing Yan（何詠欣）*(ACG, HKACG (PE))*

LISTING INFORMATION AND STOCK CODE

The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**")
Stock Code: 3869

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Hospital Corporation of China Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**", "**our**" and "**us**")
4th Floor, Air China Century Plaza
No.40, Xiaoyun Road, Chaoyang District, Beijing
The People's Republic of China ("**PRC**")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 10, 70/F
Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

www.hcclhealthcare.com

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**719,503**	717,831
– Hospital management services	**62,025**	36,852
– General hospital services	**651,702**	674,192
– Sales of pharmaceutical products	**4,427**	6,787
– Other	**1,349**	–
Adjusted gross profit (1)	**161,804**	131,568
Adjusted net profit (2)	**87,334**	60,893
Adjusted gross profit margin	**22.5%**	18.3%
Adjusted net profit margin	**12.1%**	8.5%
Adjusted items		
Expenses of share-based awards (2)(i)	**(370)**	270
Net fair value losses and extension gains on convertible bonds and foreign exchange losses (2)(ii)	**52,657**	(128,438)
Depreciation and amortisation of identifiable assets identified in acquisitions (2)(iii)	**9,550**	11,145
Revenue	**719,503**	717,831
Gross profit (1)	**152,624**	120,153
Net profit (2)	**25,497**	177,916
Basic (losses) /earnings per share (in RMB)	**(0.14)**	0.91

Notes:

(1) The gross profit of the Group for the six months ended 30 June 2024 (the "**Reporting Period**") amounted to approximately RMB152.6 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 depreciation and amortisation of identifiable assets identified in acquisitions.

(2) The Group recorded a net profit of approximately RMB25.5 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 reversal of the relevant expenses of share-based awards of approximately RMB0.4 million; (ii) the fair value losses on convertible bonds of approximately RMB51.5 million, and foreign exchange losses of approximately RMB1.1 million mainly arising from cash and cash equivalents and other foreign currency assets and liabilities; (iii) depreciation and amortisation of identifiable assets identified in acquisitions of approximately RMB9.6 million. For the calculation of the Adjusted Net Profit, tax impacts of the adjusted items were not considered.

BUSINESS REVIEW AND PROSPECTS

In recent years, the Chinese government has vigorously implemented the Healthy China Strategy, promoted the construction of a Healthy China, and introduced a number of industry policies and special implementation plans. In the first half of 2024, the reform of China's medical and health service system showed a trend of comprehensive intensification. The regulatory documents issued by the National Health Commission were no longer the programmatic guidance documents or medium and long-term initiative plans, but specific measures such as various health industry standards, performance assessment manuals for public hospitals, and construction requirements for Compact County Medical and Health Alliances (緊密型縣域醫療衛生共同體). The National Health Commission also emphasised on the promotion of the transformation of medical and health work from "treatment-centered" to "health-centered", and improved people's health literacy in a more comprehensive and systematic manner.

In the first half of 2024, the Group aligned with the trend of China's medical and health service system reform, and continuously improved the management program of medical institutions that owned, managed, or founded by the Group (the "**Group Hospital(s)**") in a systematic and standardised manner, as well as enhanced business performance and asset quality.

Guiding the Group Hospitals towards standardised and high-quality development

According to the spirit of documents such as the Comprehensive Action Plan for Enhancing the Quality of Healthcare (2023-2025) (《全面提升醫療質量行動計劃(2023-2025年)》) issued by the National Health Commission and other departments, as well as local supporting documents, the Group has guided Group Hospitals to systematically carry out "dual improvement" activities in quality and service. By focusing on medical documentation, surgical quality and safety, and emergency drill plans, the Group regularly supervised on-site at hospitals. Through educational training, we regularly conducted training for medical practitioners, and organised four sessions of medical quality and safety series training and the annual clinical comprehensive ability competition to enhance team collaboration and emergency response capabilities. Through a series of measures mentioned above, we aimed to enhance the quality and safety awareness of medical staff, improved the ability to identify and handle medical risks, strengthened the medical risk and patient safety management capabilities of Group Hospitals, and built a solid defence line for medical safety.

The Group has established a specific internal control department, which is responsible for internal audits and risk management, identifying and preventing key risks, and supervising the timely implementation of corrective actions. On 17 May 2024, the National Health Commission and other departments jointly issued the 2024 Key Points for Correcting Malpractices in Medical Purchase and Sales and Medical Services (《2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點》). To prevent and address related risks, the Group continued to intensify the construction of anti-corruption systems and issue the "Anti-Corruption and Anti-Fraud Compliance Guidelines (《反腐敗、反舞弊合規指南》)", and promoted compliance management against corruption and fraud in Group Hospitals and the Group's subsidiary pharmaceutical companies through various means such as on-site guidance and online training.

Fully promoting the construction of the Group's procurement platform

The Group has built its own supply chain management system, integrated resources from advantageous suppliers and reduced procurement costs. Meanwhile, we provided medical equipment, Western medicine, Chinese medicine, Chinese Herbal Medicine and other various medical supplies to Group Hospitals. In the first half of 2024, the Group continued to improve the centralized procurement management system. On the one hand, we valued quality control and refined the supplier management mechanism to ensure standardised business operations. On the other hand, we enhanced warehouse management and logistics distribution capabilities to ensure supply timeliness and turnover efficiency. The Group's procurement platform has gradually established strategic cooperation relationships with several large domestic and international manufacturers and distributors, which has taken full responsibility for the procurement of major equipment for the Group Hospitals. This platform has achieved centralized supply of drugs and consumables for four Group Hospitals, improved the quality and efficiency of medical supplies management and at the same time, leveraged economies of scale to reduce costs.

Prospects in the second half of this year

In the second half of 2024, the Group will continue to adhere to the strategic approach of strengthening the management and control system, enhance the quality of assets, and explore innovative business models. We will closely monitor the national medical reform requirements and progress, proactively respond to the challenges posed by domestic policies and industry changes, standardise operations, and ensure the sustainable operation of Group Hospitals. We will seek progress while maintaining stability, promote the development of the Group Hospitals in the direction of specialisation and branding, continuously improve the quality and efficiency of medical management and services through informatization construction, and strive to enhance the Group's core capabilities and operational efficiency, so as to create greater value returns for all shareholders.

FINANCIAL REVIEW

Results of Operations

During the Reporting Period, our revenue was approximately RMB719.5 million, representing an increase of approximately 0.2% when compared with approximately RMB717.8 million for the six months ended 30 June 2023 (the "**Corresponding Period of Previous Year**"), which was mainly attributable to the increase in the revenue of management services received from hospital.

Our adjusted gross profit was approximately RMB161.8 million for the Reporting Period, excluding the impacts of expenses of share-based awards and depreciation and amortisation of identifiable assets identified in acquisitions, representing an increase of approximately 23.0% when compared with approximately RMB131.6 million for the Corresponding Period of Previous Year. This was mainly attributable to the increase of the proportion of diagnosis and treatment services revenue arising from the business of Shanghai Yangsi Hospital* （上海楊思醫院）("**Yangsi Hospital**"), and the decrease in related cost.

We recorded administrative expenses of approximately RMB49.6 million for the Reporting Period, representing an increase of approximately 0.9% when compared with approximately RMB49.2 million for the Corresponding Period of Previous Year, which was primarily due to an increase in employee benefit of the hospital expenses when compared with the Corresponding Period of Previous Year.

We recorded adjusted operating profit (excluding the impacts of expenses of share-based awards and depreciation and amortisation of identifiable assets identified in acquisitions) of approximately RMB123.0 million for the Reporting Period, representing an increase of approximately RMB39.4 million from approximately RMB83.6 million for the Corresponding Period of Previous Year. This was mainly attributable to the increase of the proportion of diagnosis and treatment services revenue arising from Yangsi Hospital's business and the increase of the government grants.

For the Reporting Period, we have recorded an adjusted net profit of approximately RMB87.3 million, representing an increase of approximately 43.4% when compared to the adjusted net profit of approximately RMB60.9 million of the Corresponding Period of Previous Year. Without taking into account the impact of the adjusted items, such an increase was mainly due to the increase of the proportion of diagnosis and treatment services revenue arising from Yangsi Hospital's business and the increase of the government grants.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2024, our total equity was approximately RMB612.5 million (as at 31 December 2023: approximately RMB591.2 million). As at 30 June 2024, we had current assets of approximately RMB959.5 million (as at 31 December 2023: approximately RMB950.3 million) and current liabilities of approximately RMB1,628.9 million (as at 31 December 2023: approximately RMB1,662.6 million). As at 30 June 2024, our current ratio was approximately 0.59, as compared with approximately 0.57 as at 31 December 2023.

Our current assets increased by approximately RMB9.2 million from approximately RMB950.3 million as at 31 December 2023 to approximately RMB959.5 million as at 30 June 2024, primarily due to an increase in cash and cash equivalents and amounts due from related parties. Our current liabilities decreased by approximately RMB33.7 million from approximately RMB1,662.6 million as at 31 December 2023 to approximately RMB1,628.9 million as at 30 June 2024, primarily due to the decrease in 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 30 June 2024, we had bank borrowings of approximately RMB82.1 million (as at 31 December 2023: approximately RMB82.1 million), and we had cash and cash equivalents of approximately RMB545.1 million (as at 31 December 2023: approximately RMB523.0 million).

As at 30 June 2024 and 31 December 2023, the Group's borrowings were repayable as follows:

	Bank borrowings	
	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 1 year	**82,100**	82,100

As at 30 June 2024, the net gearing ratio, calculated based on the borrowing balance divided by the total assets, of the Company is approximately 3.3%. The Directors believed that, after taking into account the financial resources available to us, we had sufficient working capital to meet our needs. Save as disclosed in this report, as at 30 June 2024, the Group did not have any other material contingent liabilities or guarantees.

On 3 November 2023, the Company entered into a guarantee agreement (the "**2023 Guarantee Agreement**") in favour of Nanyang Commercial Bank (China) Limited Beijing Branch*（南洋商業銀行（中國）有限公司北京分行）(the "**Nanyang Bank**"), 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）("**Jinhua Hospital**"), which is managed by Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd*（浙江弘和致遠醫療科技有限公司）("**Zhejiang Honghe Zhiyuan**") in connection with the repayment obligations up to a maximum outstanding amount of RMB50.0 million (the "**2023 Corporate Guarantee**"), since the corporate guarantee provided by Company for Jinhua Hospital in connection with the repayment obligations up to a maximum outstanding amount of RMB50.0 million (the "**2022 Corporate Guarantee**") which was about to expire in November 2023 so that Jinhua Hospital repaid the loans in full, which resulted in the termination of the 2022 Corporate Guarantee on 2 November 2023. The 2023 Corporate Guarantee is provided as a security to enable Jinhua Hospital to obtain funds from the Nanyang 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 Hospital to keep track of the funds account of Jinhua Hospital, closely monitor the operational stability and cash flow of Jinhua 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 2023 Corporate Guarantee to Jinhua Hospital in consideration of the contractual relationship between the Group and Jinhua Hospital as well as the overall interests of the Group. As at 30 June 2024, the Corporate Guarantee remains effective.

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

On 24 July 2019, the Company entered into a loan agreement (the "**Existing 2019 Loan Agreement**") with Jinhua Hospital, pursuant to which the Company has conditionally agreed to grant the loan in a principal amount of RMB80.0 million to Jinhua Hospital at an interest rate of 5.23% per annum, which is subject to adjustment according to the applicable benchmark interest rates as published by the People's Bank of China from time to time, for a term of 36 months from the date of the relevant drawdown (the "**Existing 2019 Loan**"). As at 30 June 2024, the Existing 2019 Loan has been drawn down in full by Jinhua Hospital and the outstanding principal amount of the Existing 2019 Loan was RMB80.0 million.

On 20 November 2020, Tibet Honghe Zhiyuan Business Management Co., Ltd.*（西藏弘和志遠企業管理有限公司）(“**Tibet Honghe Zhiyuan**”), a wholly-owned subsidiary of the Company, entered into a loan agreement (the “**Existing 2020 Loan Agreement**”) with Jinhua Hospital, pursuant to which Tibet Honghe Zhiyuan has conditionally agreed to grant the loan to Jinhua Hospital (the “**Existing 2020 Loan**”) for an availability period of three years from the date of signing of the Existing 2020 Loan Agreement and a term of one year from the date of the relevant drawdown of each installment of the loan. The maximum principal amount is RMB100.0 million at an interest rate of 4.79% per annum, which is subject to adjustment according to the applicable benchmark interest rates as published by the People's Bank of China from time to time.

In considering the cash management requirements of the Company, on 3 November 2023, Tibet Honghe Zhiyuan and Jinhua Hospital entered into a supplemental agreement (the “**2023 Supplemental Loan Agreement**”), pursuant to which the revolving loan credit limit granted by Tibet Honghe Zhiyuan to Jinhua Hospital was revised from RMB100.0 million to RMB20.0 million. As at 30 June 2024, the outstanding principal amount of the Existing 2020 Loan was RMB20.0 million.

Since the Existing 2019 Loan and Existing 2020 Loan (collectively, the “**Existing Loans**”) and the transactions contemplated under the 2023 Guarantee Agreement constitute financial assistance provided by the Company to Jinhua Hospital, the Existing Loans and the transactions contemplated under the 2023 Guarantee Agreement are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the 2023 Guarantee Agreement, when aggregated with the Existing Loans, is more than 5% but less than 25%, the transactions contemplated under the 2023 Guarantee Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures from 1 January 2024 until 30 June 2024.

CONNECTED TRANSACTION ON EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS

On 6 June 2023, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of HKD468.0 million issued by the Company to Vanguard Glory Limited (“**Vanguard Glory**”) on 5 March 2018 (the “**Vanguard Glory Convertible Bonds**”), the Company and Vanguard Glory entered into the deed of amendment in relation to the alteration of certain terms of the Vanguard Glory Controvertible Bonds (the “**Vanguard Glory Deed of Amendment**”) (the “**Vanguard Glory Alteration of Terms**”), subject to and effective from fulfilment of the Vanguard Glory Conditions Precedent.

Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 29 December 2023 to 30 September 2025.

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

On 6 June 2023, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of approximately HKD773.9 million issued by the Company to Hony Capital Fund VIII (Cayman), L.P. ("**Hony Fund VIII**") on 7 August 2018 (the "**Hony Fund Convertible Bonds**"), the Company and Hony Fund VIII entered into the deed of amendment in relation to the alteration of certain terms of the Hony Fund Convertible Bonds (the "**Hony Fund Deed of Amendment**") (the "**Hony Fund Alteration of Terms**"), subject to and effective from fulfilment of the Hony Fund Conditions Precedent.

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

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

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

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

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2024, the Group did not have any significant investments or future plans for material investments or capital assets.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

As at 30 June 2024, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD and HKD.

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

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

PLEDGE OF ASSETS

As at 30 June 2024 and 31 December 2023, Impeccable Success Limited ("**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 30 June 2024 and 31 December 2023, 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 RMB550.0 million. As at 30 June 2024, the principal amount of the loan balance of Jinhua Hospital was RMB128.0 million.

As at 30 June 2024, the Company has provided a corporate guarantee in respect of the repayment obligation of the outstanding principal amount of up to RMB50.0 million between Jinhua Hospital and Nanyang Commercial Bank (China) Limited, Beijing Branch. As at 30 June 2024, the principal amount of the loan balance of Jinhua Hospital was RMB40.0 million.

Jiande Hospital of Traditional Chinese Medicine Co., Ltd.*（建德中醫院有限公司）("**Jiande Hospital**") entered into three one-year loan agreements with Agricultural Bank of China Jiande Branch. As at 30 June 2024, the outstanding amount of the loans was RMB62.1 million. These bank loans were secured by trade receivables held by Jiande Hospital.

On 17 April 2024, Jiande Hospital entered into a one-year loan agreement with Bank of Communications Jiande Branch. As at 30 June 2024, the outstanding amount of this loan was RMB20.0 million. This bank loan was guaranteed by Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.*（建德大家中醫藥科技有限公司）("**DJ Pharmaceutical Technology**").

Save as disclosed herein, as at 30 June 2024, the Group did not have any other pledged assets.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

HUMAN RESOURCES

As at 30 June 2024, we had a total of 1,491 employees (as at 30 June 2023: 1,437). 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 30 June 2024, the total employee benefits expenses (including Directors' remuneration) were approximately RMB215.1 million (for the six months ended 30 June 2023: approximately RMB209.3 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. As required by PRC laws and regulations, our employees participate in several government-run 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Group had no significant events after 30 June 2024 and up to the date of the approval of the unaudited interim condensed consolidated financial information.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 30 June 2024, the interests or short positions of our Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest[2]
Ms. Liu Lu	Interest in controlled corporation	9,098,800[1]	6.58%

Notes:

(1) Ms. Liu Lu is one of the general partners of Hefei Kangyang Capital Management Partnership (Limited Partnership)(合肥康養資本管理合夥企業(有限合夥)), which holds 55% of the equity interest in Anhui Zhong'an Health Investment Management Co., Ltd.(安徽中安健康投資管理有限公司)("**Anhui Zhong'an**"). Anhui Zhong'an is the general partner of Anhui Zhong'an Health Elderly Care Services Industry Investment Partnership (Limited Partnership)(安徽省中安健康養老服務產業投資合夥企業(有限合夥)) ("**Anhui Zhong'an LP**"), which is a limited partnership formed under the laws of the PRC as an investment vehicle and holds approximately 6.58% of the issued share capital of the Company. Ms. Liu Lu is a director of Anhui Zhong'an.

(2) As at 30 June 2024, the total number of issued shares of the Company was 138,194,000.

Save as disclosed above, as of 30 June 2024, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified pursuant to Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company:

Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of shareholding interest [6]
Vanguard Glory[1]	Beneficial owner	123,000,000	89.01%
Hony Capital Fund V, L.P.[2]	Interest in controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP, L.P.[2]	Interest in controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP Limited[2]	Interest in controlled corporation	123,000,000	89.01%
Hony Group Management Limited[2][3]	Interest in controlled corporation	161,693,985	117.01%
Hony Managing Partners Limited[2][3]	Interest in controlled corporation	161,693,985	117.01%
Exponential Fortune Group Limited[2][3]	Interest in controlled corporation	161,693,985	117.01%
Hony Fund VIII[3]	Beneficial owner	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman), L.P.[3]	Interest in controlled corporation	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman) Limited[3]	Interest in controlled corporation	38,693,985	28.00%
Mr. Zhao John Huan[4]	Interest in controlled corporation	161,693,985	117.01%
Anhui Zhong'an LP[5]	Beneficial owner	9,098,800	6.58%
Anhui Zhong'an[5]	Interest in controlled corporation	9,098,800	6.58%
Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥))[5]	Interest in controlled corporation	9,098,800	6.58%
Anhui Chuanggu Equity Investment Fund Management Co., Ltd. (安徽創谷股權投資基金管理有限公司)[5]	Interest in controlled corporation	9,098,800	6.58%
Mr. Niu Yang[5]	Interest in controlled corporation	9,098,800	6.58%

(1) Vanguard Glory is a wholly-owned subsidiary of Hony Fund V, L.P. and holds (a) 97,000,000 shares of the Company and (b) convertible bonds issued by the Company, which can be converted into 26,000,000 shares of the Company and represent approximately 18.81% of the issued share capital of the Company as of 30 June 2024. For further details, please refer to the section headed “Convertible Bonds” in this report.

(2) Hony Capital Fund V, L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund V GP Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.

(3) Hony Capital Fund VIII (Cayman), L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund VIII (Cayman), L.P. is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund VIII GP (Cayman) Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.

(4) Mr. Zhao John Huan is deemed to be interested in a total of 161,693,985 shares of the Company that are held by his controlled corporations, Vanguard Glory and Hony Fund VIII. Vanguard Glory holds 97,000,000 shares of the Company and holds convertible bonds issued by the Company that can be converted into 26,000,000 shares of the Company. Hony Fund VIII holds convertible bonds issued by the Company that can be converted into 38,693,985 shares of the Company. For further details, please refer to the section headed “Convertible Bonds” in this report.

(5) Anhui Zhong’an LP is a limited partnership formed under the laws of the PRC as an investment vehicle. The general partner of Anhui Zhong’an LP is Anhui Zhong’an, which is jointly held as to 55% by Hefei Kangyang Capital Management Partnership (Limited Partnership)（合肥康養資本管理合夥企業（有限合夥））and as to 45% by Anhui Chuanggu Equity Investment Fund Management Co. Ltd.（安徽創谷股權投資基金管理有限公司）. Mr. Niu Yang is one of the general partners of Hefei Kangyang Capital Management Partnership (Limited Partnership)（合肥康養資本管理合夥企業（有限合夥））. Ms. Liu Lu is a director of Anhui Zhong’an.

(6) As at 30 June 2024, the total number of issued shares of the Company was 138,194,000.

CONVERTIBLE BONDS

Vanguard Glory Convertible Bonds

In view of the Group's substantial need to fund our future acquisitions, the Company and Vanguard Glory, a shareholder holding 70.19% of the Company's issued share capital, entered into a subscription agreement on 25 January 2018, pursuant to which, on 5 March 2018, the Company issued and Vanguard Glory subscribed for convertible bonds in the aggregate principal amount of HKD468.0 million with an initial conversion price of HKD18.00 per conversion share. The Vanguard Glory Convertible Bonds will mature three years upon their issuance or may be converted into 26,000,000 ordinary shares of the Company (assuming the conversion rights are exercised in full and subject to adjustment). Upon maturity, the Company will redeem all outstanding Vanguard Glory Convertible Bonds at its principal amount.

On 17 December 2020, in accordance with the terms and conditions of the Vanguard Glory Convertible Bonds, the Company and Vanguard Glory entered into a deed of amendment to alter certain terms of the Vanguard Glory Convertible Bonds, subject to and effective from fulfilment of the conditions precedent (the "**Alteration of Terms**").

Pursuant to the Alteration of Terms, (i) the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 5 March 2021 to 29 December 2023; and (ii) in the event that the shares of the Company cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right, at such bondholder's option, to require the Company to redeem, in whole or in part (i.e. rather than in whole only), such bondholder's Vanguard Glory Convertible Bonds.

The Alteration of Terms was approved by the Shareholders other than Vanguard Glory at the extraordinary general meeting of the Company held on 22 February 2021 and was approved by the Stock Exchange subsequently.

On 6 June 2023, the Company and Vanguard Glory entered into the Vanguard Glory Deed of Amendment. Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 29 December 2023 to 30 September 2025, subject to and effective from fulfillment of the conditions precedent.

All votes on all the proposed resolutions as set out in the notice of extraordinary general meeting dated 7 July 2023 were taken by poll at the extraordinary general meeting dated 31 July 2023 and was approved by the Stock Exchange subsequently.

Please refer to the announcements of the Company dated 17 December 2020, 22 February 2021 and 6 June 2023 and the circular of the Company dated 29 January 2021 and 7 July 2023 for further details.

The market price of the Company's shares on 25 January 2018, being the date on which the terms of the issuance of the Vanguard Glory Convertible Bonds were determined, was HKD15.00 per share.

The net proceeds from the Vanguard Glory Convertible Bonds, after deducting all related costs and expenses, was approximately HKD467.0 million. The net proceeds of approximately HKD405.0 million were used to acquire Cixi Hongai Medical Management Co., Ltd. ("**Cixi Hongai**") in March 2018. As at 31 December 2023, the amount of the net proceeds approximately HKD62.0 million used for hospital management businesses by the Group. The Directors believe that it is fair and reasonable, and in the interests of the Company and its shareholders as a whole. As at 30 June 2024, the analysis of use of the net proceeds is as follows:

	Intended use of net proceeds		Revised use of unutilized net proceeds		Utilized amount up to 31 December 2023	Utilized amount subsequent to 31 December 2023 and up to 30 June 2024	Unutilized amount as at 30 June 2024	Expected time period
	HKD million	Percentage of the total amount	HKD million	Percentage of the total amount	HKD million	HKD million	HKD million	
Acquisition of Cixi Hongai	211	45%	405	87%	405	–	–	–
Acquisitions of other hospitals or hospital management businesses	256	55%	62	13%	62	–	–	–
	467	100%	467	100%	467	–	–	

As at 30 June 2024, none of the Vanguard Glory Convertible Bonds has been converted into shares of the Company. Details of the Vanguard Glory Convertible Bonds were disclosed in the announcement and circular of the Company dated 25 January 2018, 6 June 2023 and 13 February 2018 and 7 July 2023, respectively.

Dilution Impact on Earnings per Share

As calculated based on loss attributable to owners of the Company of approximately RMB18.7 million for the six months ended 30 June 2024, basic losses per share amounted to RMB0.14 and diluted losses per share of the Company amounted to RMB0.14.

Based on the implied internal rate of returns of the Vanguard Glory Convertible Bonds, the Company's share prices at the future dates at which it would be equally financially advantageous for the holders of the Vanguard Glory Convertible Bonds to convert were as follows:

Date	**30 September 2025**
	(HKD per Share)
Share price	18.0

Hony Fund Convertible Bonds

On 29 May 2018, the Company and Hony Fund VIII entered into a share purchase agreement (the "**Share Purchase Agreement**") in relation to the sale and purchase of the entire equity interest in Oriental Ally Holdings Limited ("**Oriental Ally**"), a company incorporated in the British Virgin Islands with limited liability and owned by Hony Fund VIII, at a consideration of RMB630.0 million (equivalent to approximately HKD773,879,717).

Oriental Ally is an investment holding company, which directly owns 100% of the equity interest in Impeccable Success, which in turn directly owns 75% of the equity interest in Zhejiang Honghe Zhiyuan (collectively referred to as the "**Target Group**"). The Target Group is principally engaged in the provision of management and consultation services to hospital (Jinhua Hospital) in the PRC.

On 7 August 2018, the acquisition was completed, and Oriental Ally became a subsidiary of the Company. The Company directly holds 100% of the equity interest in Oriental Ally. Through Oriental Ally, the Company indirectly holds 75% of the equity interest in Zhejiang Honghe Zhiyuan. The remaining 25% equity interest held by Hony Kangshou Management Consulting (Shanghai) Co., Ltd. shall be recognised as a non-controlling interest. The consideration was satisfied by the issuance of the Hony Fund Convertible Bonds in the aggregate principal amount of HKD773,879,717 by the Company to Hony Fund VIII on the completion date of the acquisition pursuant to the Share Purchase Agreement. On 7 August 2018, the Hony Fund Convertible Bonds were issued in registered form in the denomination of HKD1.00 each provided that in no event shall any Hony Fund Convertible Bonds be transferred, exchanged, converted or purchased in an aggregate principal amount less than HKD1.00. The Hony Fund Convertible Bonds will mature five years from their issuance or may be converted into 38,693,985 ordinary shares of the Company (assuming the conversion rights are exercised in full and subject to adjustment) at the holder's option at the conversion price of HKD20.00 per conversion share (subject to adjustment to the conversion price). Upon maturity, the Company will redeem all outstanding Hony Fund Convertible Bonds at its principal amount.

The market price of the Company's shares on 29 May 2018, being the date on which the terms of the issuance of the Hony Fund Convertible Bonds were determined, was HKD20.10 per share.

On 6 June 2023, the Company and Hony Fund VIII entered into the Hony Fund Deed of Amendment to alter certain terms of the Hony Fund Convertible Bonds. Pursuant to the Hony Fund Alteration of Terms, the maturity date of the Hony Fund Convertible Bonds shall be extended from 7 August 2023 to 30 September 2025.

All votes on all the proposed resolutions as set out in the notice of extraordinary general meeting dated 7 July 2023 were taken by poll at the extraordinary general meeting dated 31 July 2023 and was approved by the Stock Exchange subsequently.

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

As at 30 June 2024, none of the Hony Fund Convertible Bonds has been converted into shares of the Company. Details of the Hony Fund Convertible Bonds have been disclosed in the announcement and circular of the Company dated 29 May 2018, 6 June 2023 and 24 June 2018 and 7 July 2023, respectively.

Dilution Impact on Earnings per Share

As calculated based on loss attributable to owners of the Company of approximately RMB18.7 million for the six months ended 30 June 2024, basic losses per share amounted to RMB0.14 and diluted losses per share of the Company amounted to RMB0.14.

Based on the implied internal rate of returns of the Hony Fund Convertible Bonds, the Company's share prices at the future dates at which it would be equally financially advantageous for the holders of the Hony Fund Convertible Bonds to convert were as follows:

Date	**30 September 2025** (HKD per Share)
Share price	20.0

Leap Wave Convertible Bonds

In view of the Group's need for further financing to fund our future acquisitions, on 21 December 2018 and 16 January 2019, the Company and Leap Wave Limited ("**Leap Wave**") entered into a subscription agreement and an amendment agreement respectively, pursuant to which the Company agreed to issue and Leap Wave agreed to subscribe for convertible bonds in the aggregate principal amount of HKD800.0 million at a total consideration equal to the aggregate principal amount of the convertible bonds (the "**Leap Wave Convertible Bonds**") . On 27 February 2019, the Leap Wave Convertible Bonds were issued in registered form in the denomination of HKD1.00 each. The Leap Wave Convertible Bonds will mature five years from their issuance or may be converted into 40,000,000 ordinary shares of the Company (assuming the conversion rights are exercised in full and subject to adjustment) at the holder's option at the conversion price of HKD20.00 per conversion share (subject to adjustment to the conversion price). Upon maturity, the Company shall redeem in whole the Leap Wave Convertible Bonds with the redemption amount calculated in accordance with the following formula: principal amount of outstanding convertible bonds + principal amount of outstanding convertible bonds × 6% × 5.

The market price of the Company's shares on 16 January 2019, being the date on which the terms of the issuance of the Leap Wave Convertible Bonds were determined, was HKD16.18 per share.

On 12 August 2021, in accordance with the terms and conditions of the Leap Wave Convertible Bonds, the Company and Leap Wave entered into the Leap Wave Deed of Amendment in relation to early redemption (the "**Early Redemption**"), subject to and effective from the fulfilment of certain conditions precedent.

The Leap Wave Alteration was approved by the Shareholders at the extraordinary general meeting of the Company held on 8 October 2021 and was approved by the Stock Exchange subsequently.

The terms of Leap Wave Convertible Bonds has been amended as follows:

(i) The existing arrangements with respect to early redemption shall be replaced in entirety with the following:

With prior written consent of the Company and the Bondholder, the outstanding Convertible Bonds may be redeemed in whole by the Company prior to the Maturity Date at the mutually agreed Early Redemption Amount calculated in accordance with the following formula:

Early Redemption Amount = Principal amount of the outstanding Convertible Bonds as of the redemption date x 98%.

(ii) The following payment arrangements with respect to early redemption shall be added:

Company may pay the Early Redemption Amount to the Bondholder in instalments. The detailed instalment schedules shall be agreed between the Company and the Bondholder and set out in the redemption notice to be served by the Company to the Bondholder. No interest shall accrue on any unpaid Early Redemption Amount during the instalment period, unless where the Company fails to pay the agreed instalments on the corresponding payment dates, default interest (i.e. 5% per annum) shall accrue on the overdue amount in accordance with the existing terms of the Convertible Bonds.

On 15 October 2021, the Company has served a redemption notice to Leap Wave to request for early redemption on all outstanding Leap Wave Convertible Bonds in the principal amount of HKD800.0 million, pursuant to which, the Company will pay the early redemption amount, being HKD784.0 million, to Leap Wave in accordance with the following payment schedule:

Payment dates	**Instalment amount** (HKD in millions)
20 October 2021	550
31 July 2022	120
31 July 2023	114
Total Early Redemption Amount:	784

As at 31 July 2023, the Company has paid HKD695.0 million to Leap Wave, and HKD89.0 million remain unpaid (the "**Remaining Early Redemption Amount**"). Given the uncertainty in economic environment and fierce competition in the medical industry, to safeguard the health of the Company's financial cash flow, on 31 July 2023, the Company has served a written notice to Leap Wave stating that the payment of the Remaining Early Redemption Amount and interests are intended to be paid in two instalments that an amount of HKD39.0 million shall be paid on or before 31 July 2024 and an amount of HKD50.0 million shall be paid on or before 31 July 2025. Interests shall be calculated based on the actual number of days accrued from the date on which such sum being due and payable to the date on which the full amount of such sum has been duly paid by the Company and on the basis of 360 days per year in accordance with the convertible bonds instrument executed by the Company on 27 February 2019 as revised by the Leap Wave Deed of Amendment. The Company has paid HKD39.0 million and interests to Leap Wave on February 2024. As at the date of this report, HKD50.0 million remain unpaid.

Following the early redemption of the Leap Wave Convertible Bonds, there will be no principal amount of the Leap Wave Convertible Bonds outstanding and no Leap Wave Convertible Bonds have been or will be converted into Shares. Upon the payment of the early redemption amount in full, the Leap Wave Convertible Bonds will be cancelled in whole and the Company will be discharged from all of the obligations under and in respect of the Leap Wave Convertible Bonds.

Dilution Effect of the Conversion of the Vanguard Glory Convertible Bonds, the Hony Fund Convertible Bonds and the Leap Wave Convertible Bonds

Set out below is the dilution effect on equity interest of the substantial Shareholders upon the full conversion of the outstanding Vanguard Glory Convertible Bonds and the outstanding Hony Fund Convertible Bonds.

Substantial Shareholders	As at 30 June 2024		Immediately upon full conversion of the Vanguard Glory Convertible Bonds and the Hony Fund Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Vanguard Glory	97,000,000	70.19	123,000,000	60.62
Hony Fund VIII	0	0.00	38,693,985	19.07
Anhui Zhong'an LP	9,098,800	6.58	9,098,800	4.48

Note: the shareholding structure is shown for illustration purpose only and may not be exhaustive. Pursuant to the conversion restrictions under the terms and conditions of the above convertible bonds, their respective conversion rights may only be exercised to the extent that, immediately after such conversion, the Company will continue to be able to satisfy the public float requirements under the Listing Rules.

SHARE-BASED PAYMENT SCHEMES

(a) Pre-IPO Share Appreciation Rights Scheme

On 28 November 2016, the Board approved a share appreciation rights scheme prior to the initial public offering of the Company (the "**Pre-IPO SARs Scheme**") which enables the Company to grant share appreciation rights to certain members of management (collectively referred to as the "**Pre-IPO SARs Grantees**"). The purpose of the Pre-IPO SARs Scheme is to enable the Company to grant share appreciation rights to eligible participants as rewards or returns for their contribution or potential contribution to the Company and/or and of its subsidiaries.

Pursuant to the Pre-IPO SARs Scheme, the Company granted 2,500,000 notional shares to the Pre-IPO SARs Grantees entitling them to receive cash payments based on the appreciation of the notional shares over a vesting period starting from 30 June 2016.

Pursuant to the lock-up restrictions provided in the Pre-IPO SARs Scheme, from 15 March 2018, the first batch, representing 25% of the total number of notional shares were free to be vested. In 2018, one of the Pre-IPO SARs Grantees resigned and the remaining 75% of locked-up notional shares granted to him lapsed pursuant to the Pre-IPO SARs Scheme.

In January 2019, one of the Pre-IPO SARs Grantees exercised the aforementioned 25% of total notional shares that were free to be vested.

From 15 March 2019, the second batch, representing 25% of the total number of notional shares, were free to be vested. In 2019, one of the remaining Pre-IPO SARs Grantee resigned and the remaining 50% of locked- up notional shares granted to him lapsed pursuant to the Pre-IPO SARs Scheme.

From 15 March 2020, the third batch, representing 25% of the total number of notional shares, were free to be vested.

From 15 March 2021, the last batch, represent 25% of the total number of notional shares, were free to be vest.

The share-based compensation expense related to the Pre-IPO SARs Scheme of RMB370,000 were derecognised as "cost" for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB270,000 were recognised as "cost").

(b) **Share Incentive Scheme**

On 24 October 2017, Vanguard Glory entered into a share incentive scheme (the "**Share Incentive Scheme**") with certain members of management (collectively referred to as the "**Share Incentive Grantees**" and each a "**Share Incentive Grantee**"). Pursuant to the Share Incentive Scheme, Vanguard Glory granted 6,412,201 share awards to the Share Incentive Grantees entitling them to subscribe for shares held by Vanguard Glory at an exercise price of HKD14.35 per share, subject to certain lock-up restrictions.

In 2018, two of the Share Incentive Grantees resigned and the Company agreed with one of the grantees that all of the share awards granted by Vanguard Glory to him would remain in effect after his resignation with an accelerated vesting schedule. Further, as agreed by the Company, 25% of the share awards granted by Vanguard Glory to another grantee would be free to be vested after her resignation, and the remaining 75% locked-up notional shares granted to her lapsed. The share-based compensation expenses in relation to the share awards granted to the resigned Share Incentive Grantee for the year ended 31 December 2018 was recognised as capital reserve upon her resignation.

In 2019, two of the Share Incentive Grantees resigned and as agreed by the Company, 50% of the share awards granted by Vanguard Glory to one of the grantees would be released from the lock-up restrictions and free to be vested after his resignation, while the remaining 50% locked-up notional shares granted to him lapsed. The share-based compensation expenses in relation to the share awards granted to the resigned Share Incentive Grantee for the year ended 31 December 2019 were recognised as capital reserve upon his resignation. Further, pursuant to the Share Incentive Scheme, the share awards granted to another grantee who has resigned which were permitted to vest but had not been exercised will be terminated and the remaining locked-up notional shares granted to him shall lapse.

In 2021, the remaining 50% of the shared awards granted by Vanguard Glory has been released from the lock-up restrictions and free to be vested.

Share-based compensation expenses related to the Share Incentive Scheme were nil for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(c) Post-IPO Share Appreciation Rights Scheme

We adopted a post-IPO share appreciation rights scheme (the "**Post-IPO SARs Scheme**") on 13 December 2016 to enable the Company to grant post-IPO share appreciation rights (the "**Post-IPO SARs**") to Post-IPO SARs Eligible Participants (as defined below) as rewards or returns for their contribution or potential contribution to the Company and/or any its the subsidiaries. The Post-IPO SARs Scheme does not involve the grant of options over new securities of the Company. Under the Post-IPO SARs Scheme, directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of its subsidiaries (the "**Post-IPO SARs Eligible Participants**") who, in the sole opinion of the Board, have contributed to the Company and/or any of its subsidiaries will be entitled to receive cash payments determined based on the appreciation of the notional shares over a specified period pursuant to the Post-IPO SARs Scheme. The Post-IPO SARs Eligible Participants who accepted the offer do not have any voting rights and rights to dividends entitled by the shareholders of the Company.

Details of the Post-IPO SARs Scheme were set out in the Prospectus. Since the Listing Date and up to the date of this report, no Post-IPO SARs had been granted under the Post-IPO SARs Scheme.

(d) Share Award Scheme

The Company has adopted a share award scheme of the Company (the "**Share Award Scheme**") for a term of 10 years from 18 January 2021.

The following classes of participants (the "**SAS Eligible Participants**") are eligible for participation in the Share Award Scheme: (a) directors (including executive directors and non-executive directors) of the Company or any of its subsidiaries; (b) employees (including full-time and part-time), officers, agents or consultants of the Company or any of its subsidiaries; and (c) core management members of any hospital owned, managed and/or founded by the Group.

The Board or any committee delegated with the power and authority by the Board to administer the Share Award Scheme (the "**SAS Administration Body**") may, from time to time, at its absolute discretion select any SAS Eligible Participant (the "**SAS Selected Participant**") to be entitled to receive a grant of award of Shares (the "**Share Award**"), either Shares subject to vesting criteria or restrictions or Shares granted directly to the SAS Selected Participants which the SAS Administration Body determines to be vested immediately upon acceptance without any vesting conditions, under the Share Award Scheme. The Board or the respective committee may also grant Share Awards to such SAS Selected Participant which are to be satisfied by new Shares to be subscribed by the trustee of the trust set up under the Share Award Scheme (the "**SAS Trustee**") either under its available general mandate on the relevant date of grant or under a specific mandate approved or to be approved or to approved by the shareholders of the Company at such subscription as the SAS Administration Body may direct; and/or existing Shares purchased by the SAS Trustee.

The eligibility of any of the SAS Eligible Participant to a Share Award and/or the number of Shares to be granted shall be determined by the SAS Administration Body, taking into consideration matters such as the contribution of the relevant SAS Eligible Participant to the profits of the Group and the general financial condition of the Group. After the SAS Administration Body has determined the number of Shares to be granted and/or the SAS Selected Participants, it shall notify the SAS Trustee and (if the SAS Selected Participants are identified) issue the grant letter to the SAS Selected Participants.

The purposes of the Share Award Scheme are (i) to encourage or facilitate the holding of Shares by the SAS Eligible Participants; (ii) to encourage and retain the SAS Eligible Participants to work with the Group; and (iii) to provide additional incentive for the SAS Eligible Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the SAS Eligible Participants with the Shareholders through ownership of Shares.

The Share Award Scheme offers a different form of incentive as compared to the Post-IPO SARs Scheme of the Company, since SAS Eligible Participants will be entitled to receive Shares upon vesting of the Share Awards under the Share Award Scheme, while the Post-IPO SARs Eligible Participants will only be entitled to receive cash payments determined based on the appreciation of the notional Shares over a specified period under the Post-IPO SARs Scheme. Given the difference in nature of the reward under the Share Award Scheme and the Post-IPO SARs Scheme, the Company believes that the Share Award Scheme will impose less pressure on the Group's cash flow position and enable the Company to prevent substantive cash outflow while allowing additional incentives to the Participants to contribute to the Group in the foreseeable future.

The remaining life of the Share Award Scheme is 7 years. No payment is required on acceptance of the Share Awards and for the Share Awarded. As at the date of this interim report, the total number of shares available for issue under the Share Award Scheme was 13,819,400, representing 10% of the issued shares of the Company.

Since the adoption of the Share Award Scheme on 18 January 2021 and up to the date of this interim report, no Share Award has been granted, vested, lapsed or cancelled pursuant to the Share Award Scheme.

As of 1 January 2024 and 30 June 2024, the number of shares available for grant under the scheme mandate of the Share Award Scheme was 13,819,400 (representing approximately 10% of the issued shares of the Company as at the date of this interim report). There is no service provider sublimit being defined under the Share Award Scheme.

The aggregated maximum number of Shares that the SAS Trustee may purchase must not exceed 10% of the Company's share capital in issue from time to time, i.e. 13,819,400 Shares (representing approximately 10% of the issued shares of the Company as at the date of this interim report).

As the date of this report, the SAS Trustee has purchased 1,079,000 Shares pursuant to the Share Award Scheme, representing approximately 0.78% of the issued shares of the Company as at the date of this report. The remaining number of Shares which may be purchased by the SAS Trustee is 12,740,400, representing approximately 9.22% of the issued shares of the Company as at the date of this report.

Where any grant of Share Awards to a SAS Eligible Participant would result in the shares issued and to be issued in respect of all share awards granted to such person (excluding any share awards lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares of the Company in issue, such grant must be separately approved by shareholders of the Company in general meeting with such SAS Eligible Participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting. The Company must send a circular to the shareholders.

The vesting period for Share Awards shall not be less than 12 months.

Further details of the Share Award Scheme were set out in the announcement of the Company dated 18 January 2021.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this report, the Company maintained the public float requirement as prescribed under the Listing Rules of not less than 25%.

CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules. Except for as disclosed below, the Board considers that, during the Reporting Period, the Company has complied with the applicable code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "**Securities Dealing Code**") on terms no less stringent than the required standard set out in the Model Code as set out in Appendix C3 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees of the Company, the Company confirms that all Directors and relevant employees of the Company have complied with the Model Code and the Securities Dealing Code during the Reporting Period.

AUDIT COMMITTEE

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)). As at the end of the Reporting Period, the Company did not hold any treasury shares (as defined under the Listing Rules).

FINANCIAL INFORMATION

The Group's interim results for the six months ended 30 June 2024 have not been audited but have been reviewed by the Group's external auditor, KPMG, and by the Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Notes	**2024 RMB'000**	2023 RMB'000
Revenue	4	**719,503**	717,831
Cost of revenue		**(566,879)**	(597,678)
Gross profit		**152,624**	120,153
Selling expenses		**(160)**	(631)
Administrative expenses		**(49,638)**	(49,200)
Other gains and losses, net	5	**10,979**	1,856
Operating profit		**113,805**	72,178
Finance income, net	6	**(52,360)**	128,794
Profit before taxation	6	**61,445**	200,972
Income tax	7	**(35,948)**	(23,056)
Profit for the period		**25,497**	177,916
Attributable to:			
Owners of the Company		**(18,718)**	126,218
Non-controlling interests		**44,215**	51,698
Profit for the period		**25,497**	177,916
(Losses)/earnings per share:			
– Basic (losses)/earnings per share (in RMB)	8	**(0.14)**	0.91
– Diluted losses per share (in RMB)	8	**(0.14)**	(0.02)

The notes on pages 36 to 55 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2024	2023
	Notes	**RMB'000**	RMB'000
Profit for the period		**25,497**	177,916
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
– Remeasurement of defined benefit plan obligation, net of tax		**(4,227)**	7,358
Total comprehensive income for the period		**21,270**	185,274
Attributable to:			
Owners of the Company		**(18,718)**	126,218
Non-controlling interests		**39,988**	59,056
Total comprehensive income for the period		**21,270**	185,274

The notes on pages 36 to 55 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024 – unaudited

(Expressed in RMB)

	Notes	30 June 2024 RMB'000	31 December 2023 (restated) RMB'000
Non-current assets			
Property and equipment	9	**173,581**	183,004
Right-of-use assets	9	**44,225**	43,433
Intangible assets	9	**1,144,941**	1,152,245
Amounts due from related parties	11	**160,944**	160,944
Deferred income tax assets		**10,410**	8,165
		1,534,101	1,547,791
Current assets			
Inventories		**55,134**	51,425
Trade receivables	10	**111,395**	133,652
Other receivables, deposits and prepayments		**9,361**	13,581
Amounts due from related parties	11	**102,435**	80,932
Financial assets at fair value through profit or loss	17	**82,576**	94,156
Term deposits		**50,713**	50,708
Restricted bank deposits		**2,849**	2,828
Cash and cash equivalents	12	**545,053**	523,027
		959,516	950,309
Current liabilities			
Trade payables	13	**129,002**	150,543
Contract liabilities		**–**	4,570
Accruals, other payables and provisions	14	**374,472**	441,062
Amounts due to related parties	11	**7,701**	7,690
Borrowings		**82,100**	82,100
Convertible bonds	15	**989,673**	938,149
Lease liabilities		**2,655**	1,783
Current income tax liabilities		**43,322**	36,662
		1,628,925	1,662,559
Net current liabilities		**(669,409)**	(712,250)
Total assets less current liabilities		**864,692**	835,541

The notes on pages 36 to 55 form part of this interim financial report.

as at 30 June 2024 – unaudited
(Expressed in RMB)

	Notes	30 June 2024 RMB'000	31 December 2023 (restated) RMB'000
Non-current liabilities			
Lease liabilities		**7,991**	7,237
Accruals, other payables and provisions	14	**45,632**	45,310
Defined benefit plan obligation		**50,878**	44,649
Deferred income tax liabilities		**147,718**	147,142
		252,219	244,338
NET ASSETS		**612,473**	591,203
CAPITAL AND RESERVES			
Share capital		**123**	123
Reserves		**360,253**	378,971
Total equity attributable to equity shareholders of the Company		**360,376**	379,094
Non-controlling interests		**252,097**	212,109
TOTAL EQUITY		**612,473**	591,203

The notes on pages 36 to 55 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	123	435,304	870,779	–	(1,050,496)	255,710	187,718	443,428
Comprehensive income								
– Profit for the period	–	–	–	–	126,218	126,218	51,698	177,916
– Remeasurement of defined benefit plan obligation	–	–	–	–	–	–	7,358	7,358
Repurchase of treasury shares	–	–	–	(4,680)	–	(4,680)	–	(4,680)
Balance at 30 June 2023 and 1 July 2023	**123**	**435,304**	**870,779**	**(4,680)**	**(924,278)**	**377,248**	**246,774**	**624,022**
Comprehensive income								
– Profit/(loss) for the period	–	–	–	–	5,166	5,166	(14,738)	(9,572)
– Remeasurement of defined benefit plan obligation	–	–	–	–	–	–	5,826	5,826
Transfer of reserves	–	–	5,179	–	(5,179)	–	–	–
Repurchase of treasury shares	–	–	–	(3,320)	–	(3,320)	–	(3,320)
Dividend provided for or paid	–	–	–	–	–	–	(25,753)	(25,753)
Balance at 31 December 2023	**123**	**435,304**	**875,958**	**(8,000)**	**(924,291)**	**379,094**	**212,109**	**591,203**

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024	123	435,304	875,958	(8,000)	(924,291)	379,094	212,109	591,203
Comprehensive income								
– (Loss)/profit for the period	–	–	–	–	(18,718)	(18,718)	44,215	25,497
– Remeasurement of defined benefit plan obligation	–	–	–	–	–	–	(4,227)	(4,227)
Balance at 30 June 2024	**123**	**435,304**	**875,958**	**(8,000)**	**(943,009)**	**360,376**	**252,097**	**612,473**

The notes on pages 36 to 55 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Notes	Six months ended 30 June 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations		**85,939**	67,569
Income tax paid		**(30,957)**	(8,057)
Net cash generated from operating activities		**54,982**	59,512
Cash flows from investing activities			
Payments for plant, property and equipment		**(9,059)**	(1,178)
Payments for intangible assets		**(520)**	(499)
Payments for financial assets at fair value through profit or loss		**(40,000)**	(9,172)
Proceeds from disposal of financial assets at fair value through profit or loss		**52,263**	70,135
Interest received		**2,774**	4,116
Net cash generated from investing activities		**5,458**	63,402
Cash flows from financing activities			
Proceeds from borrowings		**39,000**	29,500
Repayment of borrowings		**(39,000)**	(52,329)
Capital elements of lease payments		**(849)**	(839)
Interest elements of lease payments		**(266)**	(177)
Purchase of own shares		**–**	(2,948)
Settlement of redeemed bonds		**(36,084)**	–
Payment of loan interests		**(1,371)**	(1,295)
Net cash used in financing activities		**(38,570)**	(28,088)
Net increase in cash and cash equivalents		**21,870**	94,826
Cash and cash equivalents at the beginning of the period		**523,027**	497,061
Effects of exchange rate changes		**156**	1,053
Cash and cash equivalents at the end of the period	12	**545,053**	592,940

The notes on pages 36 to 55 form part of this interim financial report.

1 GENERAL INFORMATION

Hospital Corporation of China Limited (the "Company") was incorporated in the Cayman Islands on 21 February 2014 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The Company, together with its subsidiaries (collectively referred to as the "Group"), is principally engaged in the (i) operation and management of hospitals; (ii) provision of management services, supply chain services and other ancillary services to certain hospitals; and (iii) sales of pharmaceutical products in the People's Republic of China (the "PRC").

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

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 26 March 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

2 BASIS OF PREPARATION – *continued*

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board. KPMG's independent review report to the Board of Directors is included on page 56.

As at 30 June 2024, the Group's current liabilities exceeded its current assets by RMB669,409,000, including convertible bonds of RMB989,673,000 reclassified from non-current to current as disclosed in Note 3. The bondholders are Vanguard Glory Limited, a substantial shareholder holding 70.19% of the Company's issued share capital, and Hony Capital Fund VIII (Cayman), L.P., an affiliate fund managed by the parent fund of Vanguard Glory Limited. The directors of the Company are of the opinion that the bondholders intend to hold the bonds to maturity. The directors of the Company have reviewed the Group's cash flow forecast for the next twelve months and are of the opinion that the Group will generate sufficient cash inflows from its operations and will have access to credit facilities from financial institutions, if requires, to meet its obligations. Accordingly, the directors of the Company consider it is appropriate to prepare the interim consolidated financial statements on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*

- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*

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

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

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

3 CHANGES IN ACCOUNTING POLICIES – *continued*

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

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

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

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

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current. The Group, to conform to the revised policy, has reclassified the non-derivative liabilities arising from convertible bonds with a maturity date of 30 September 2025 from non-current to current, as the related conversion features of these convertible bonds do not meet the definition of an equity instrument and are exercisable at any time at the bondholders' option, thus the liabilities are settled on demand.

3 CHANGES IN ACCOUNTING POLICIES – *continued*

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

	As previously reported RMB'000	Effect of adopting the IAS 1 amendments RMB'000	As restated RMB'000
Consolidated statement of financial position as at 31 December 2023:			
Convertible bonds	–	938,149	938,149
Total current liabilities	724,410	938,149	1,662,559
Net current assets/(liabilities)	225,899	(938,149)	(712,250)
Total assets less current liabilities	1,773,690	(938,149)	835,541
Convertible bonds	938,149	(938,149)	–
Total non-current liabilities	1,182,487	(938,149)	244,338

The following table illustrates the amounts that would have been in the Group's consolidated statement of financial position as at 30 June 2024 if the IAS 1 amendments had not been adopted:

	As reported RMB'000	**Backing out effect of adopting the IAS 1 amendments RMB'000**	**If accounting policy had not been changed RMB'000**
Consolidated statement of financial position as at 30 June 2024:			
Convertible bonds	**989,673**	**(989,673)**	**–**
Total current liabilities	**1,628,925**	**(989,673)**	**639,252**
Net current (liabilities)/assets	**(669,409)**	**989,673**	**320,264**
Total assets less current liabilities	**864,692**	**989,673**	**1,854,365**
Convertible bonds	**–**	**989,673**	**989,673**
Total non-current liabilities	**252,219**	**989,673**	**1,241,892**

The amendments have no effect on the Group's consolidated statement of profit or loss, cash flows and earnings/loss per share.

Other than the IAS 1 amendments stated above, none of the other developments have had a material effect on how the Group's results and financial position for the amount on prior periods have been prepared or presented in this interim financial report.

4 REVENUE AND SEGMENT INFORMATION

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

(a) General hospital services

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

(b) Hospital management services

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

(c) Sales of pharmaceutical products

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

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

Segment assets exclude goodwill, financial assets at fair value through profit or loss ("FVPL") and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

4 REVENUE AND SEGMENT INFORMATION – *continued*

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

	General hospital services RMB'000	Hospital management services RMB'000	Sales of pharmaceutical products RMB'000	Elimination RMB'000	Unallocated RMB'000	Total RMB'000
Six months ended 30 June 2024						
Segment revenue	651,702	190,080	4,427	(128,055)	1,349	719,503
Inter-segment revenue	–	(128,055)	–	128,055	–	–
Revenue from external customers	651,702	62,025	4,427	–	1,349	719,503
Timing of revenue recognition						
– At a point in time	286,057	54,449	4,427	–	–	344,933
– Over time	365,645	7,576	–	–	1,349	374,570
	651,702	62,025	4,427	–	1,349	719,503
EBITDA	73,841	79,819	498	(3,446)	–	150,712
Depreciation	(20,138)	(1,920)	(18)	–	(377)	(22,453)
Amortisation	(4,681)	(3,895)	–	–	(418)	(8,994)
Finance income, net	(832)	329	(11)	–	(51,846)	(52,360)
Unallocated losses, net					(5,460)	(5,460)
Profit/(loss) before income tax	48,190	74,333	469	(3,446)	(58,101)	61,445
As at 30 June 2024						
Segment assets	839,375	593,877	6,408	(163,523)	471,612	1,747,749
Goodwill	58,495	687,373	–	–	–	745,868
Total assets	897,870	1,281,250	6,408	(163,523)	471,612	2,493,617
Total liabilities	372,159	179,158	2,817	(159,712)	1,486,722	1,881,144

4 REVENUE AND SEGMENT INFORMATION – *continued*

	General hospital services RMB'000	Hospital management services RMB'000	Sales of pharmaceutical products RMB'000	Elimination RMB'000	Unallocated RMB'000	Total RMB'000
Six months ended 30 June 2023						
Segment revenue	676,192	82,945	6,787	(48,093)	–	717,831
Inter-segment revenue	(2,000)	(46,093)	–	48,093	–	–
Revenue from external customers	674,192	36,852	6,787	–	–	717,831
Timing of revenue recognition						
– At a point in time	298,022	27,229	6,787	–	–	332,038
– Over time	376,170	9,623	–	–	–	385,793
	674,192	36,852	6,787	–	–	717,831
EBITDA	69,883	44,709	533	(2,130)	–	112,995
Depreciation	(22,873)	(1,601)	(31)	–	(316)	(24,821)
Amortisation	(4,414)	(3,767)	–	–	–	(8,181)
Finance income, net	(434)	159	(10)	–	129,079	128,794
Unallocated losses, net					(7,815)	(7,815)
Profit/(loss) before income tax	42,162	39,500	492	(2,130)	120,948	200,972
As at 31 December 2023						
Segment assets	811,188	588,770	16,236	(134,474)	470,512	1,752,232
Goodwill	58,495	687,373	–	–	–	745,868
Total assets	869,683	1,276,143	16,236	(134,474)	470,512	2,498,100
Total liabilities	526,095	189,412	3,222	(134,474)	1,322,642	1,906,897

5 OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants and subsidies	**10,179**	–
Net fair value gain on financial assets at FVPL	**683**	1,980
Others	**117**	(124)
	10,979	1,856

6 PROFIT BEFORE TAXATION

(a) Finance income, net

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net fair value loss on convertible bonds	**(51,524)**	(91,772)
Net gain on the extension of convertible bonds	**–**	222,920
Interest income on loans to a related party	**2,338**	2,325
Interest income on bank deposits	**1,547**	1,652
Interest expense on bank borrowings	**(1,371)**	(1,295)
Finance expense on redeemed bonds	**(1,293)**	(2,136)
Others	**(2,057)**	(2,900)
	(52,360)	128,794

(b) Employee benefit expense

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Wages, salaries, bonuses and other benefits	**198,961**	191,478
Defined benefit obligation	**1,551**	3,815
Share-based compensation expenses	**(370)**	270
Contribution to pension plans and others	**14,955**	13,737
	215,097	209,300

6 PROFIT BEFORE TAXATION – CONTINUED

(c) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Amortisation and depreciation	**31,447**	33,002
Operating lease rental expenses	**3,030**	2,512

7 INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**37,617**	24,666
Deferred income tax	**(1,669)**	(1,610)
	35,948	23,056

(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 the Cayman Islands income tax.

(b) Hong Kong Profits Tax

Hong Kong Profits Tax rate was 16.5% for the period ended 30 June 2024 (six months ended 30 June 2023: 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 30 June 2024 and 2023.

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

Subsidiaries established and operating in the PRC are subject to the PRC Corporate Income Tax at the rate of 25% for the six months ended 30 June 2024 (six months ended 30 June 2023: 25%), except for Dazi Honghe Ruixin Medical Technology Co., Ltd. (達孜弘和瑞信醫療科技有限公司) ("Honghe Ruixin") which was subject to a tax rate of 15% for the period ended 30 June 2024 (six months ended 30 June 2023: 15%).

8 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
Total (loss)/profit attributable to owners of the Company (RMB'000)	**(18,718)**	126,218
Weighted average number of ordinary shares in issue (in '000)	**137,115**	138,194
Basic (losses)/earnings per share (in RMB)	**(0.14)**	0.91

(b) Diluted losses per share

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2024, the Group's potential dilutive ordinary shares are from convertible bonds issued at 5 March 2018 and 7 August 2018. The potential dilutive ordinary shares were not included in the calculation of diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the period ended 30 June 2024 is the same as basic losses per share. The calculation of diluted losses per share for the six months ended 30 June 2023 is set out below.

8 (LOSSES)/EARNINGS PER SHARE – CONTINUED

(b) Diluted losses per share – continued

	Six months ended 30 June 2023 RMB'000
Total profit attributable to owners of the Company	126,218
less:	
Net gain on the extension of convertible bonds	222,920
Net fair value losses on convertible bonds	(91,772)
Total loss used to determine diluted losses per share	(4,930)
Weighted average number of ordinary shares in issue (in '000)	138,194
Adjustment for calculation of diluted earnings per share – Convertible bonds (in '000)	64,694
Weighted average number of ordinary shares in issue and potential ordinary shares (in '000)	202,888
Diluted losses per share (in RMB)	(0.02)

9 PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for use of offices, and therefore recognised the additions to right-of-use assets of RMB2,746,000 (six months ended 30 June 2023: RMB1,235,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of property and equipment with a cost of RMB10,900,000 (six months ended 30 June 2023: RMB3,041,000). Items of property and equipment with a net book value of RMB66,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB1,863,000), resulting in a loss on disposal of RMB66,000 (six months ended 30 June 2023: RMB59,000).

(c) Intangible assets

During the six months ended 30 June 2024, the Group acquired items of software with a cost of RMB520,000 (six months ended 30 June 2023: RMB499,000).

10 TRADE RECEIVABLES

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade receivables	**111,893**	134,436
Less: loss allowance	**(498)**	(784)
Trade receivables, net of loss allowance	**111,395**	133,652

As at 30 June 2024 and 31 December 2023, the ageing analysis, based on invoice date of the trade receivables and net of loss allowance, was as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 90 days	**109,043**	129,112
91 to 180 days	**1,506**	3,871
181 days to 1 year	**846**	669
	111,395	133,652

The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organisations may take one to twelve months.

11 BALANCES WITH RELATED PARTIES

(a) Amounts due from related parties

As at 30 June 2024 and 31 December 2023, the amounts due from related parties are unsecured and repayable on demand.

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Amounts due from related parties		
Trade in nature:		
– Zhejiang Jinhua Guangfu Oncological Hospital ("Jinhua Hospital")（浙江金華廣福腫瘤醫院）*	**180,558**	167,090
– Cixi Union Hospital ("Cixi Hospital")（慈溪弘和醫院）*	**13,995**	6,098
– Yongkang Hospital（永康醫院）*	**262**	1,373
	194,815	174,561
Non-trade in nature:		
– Jinhua Hospital**	**101,246**	100,000
– Vanguard Glory*	**374**	371
– Yongkang Hospital*	**8**	8
	296,443	274,940
Less: loss allowance	**(33,064)**	(33,064)
	263,379	241,876
Less: non-current portion	**(160,944)**	(160,944)
Current portion	**102,435**	80,932

* These balances are non-interest bearing.

** These balances bears interest range from 4.07% to 5.23% per annum.

11 BALANCES WITH RELATED PARTIES – *continued*

(a) Amounts due from related parties – *continued*

As at 30 June 2024, the ageing analysis of the trade in nature amounts due from related parties, based on invoice date and net of loss allowance, was as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 90 days	**17,083**	17,944
91 to 180 days	**17,630**	315
Over 180 days	**127,038**	123,238
	161,751	141,497

(b) Amounts due to related parties

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Amounts due to related parties		
Non-trade in nature:		
– Jinhua Hospital	**6,088**	6,087
– Vanguard Glory	**1,550**	1,540
– Cixi Hospital	**63**	63
	7,701	7,690

The amounts due to related parties are unsecured, non-interest bearing and are repayable on demand.

12 CASH AND CASH EQUIVALENTS

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Cash at banks and on hand	**397,326**	368,427
Deposits with banks	**147,727**	154,600
Cash and cash equivalents in the condensed consolidated statement of cash flow	**545,053**	523,027

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB528,313,000 (2023: RMB513,743,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

13 TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on invoice date, is as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 90 days	**110,994**	127,353
91 to 180 days	**10,008**	14,236
181 days to 1 year	**4,003**	82
Over 1 year	**3,997**	8,872
	129,002	150,543

14 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Accrued employee benefits	**93,078**	112,901
Payables for redeemed bonds	**47,160**	81,834
Payable for undertaking on acquisition of non-controlling interests of a subsidiary	**239,788**	239,788
Other taxes payables	**5,206**	15,464
Payables to suppliers for purchase of plant and equipment	**14,295**	12,454
Others	**20,577**	23,931
	420,104	486,372
Less: non-current portion		
Payables for redeemed bonds	**(45,632)**	(45,310)
Current portion	**374,472**	441,062

15 CONVERTIBLE BONDS

The movements of the convertible bonds are as follows:

	Convertible Bonds RMB'000
As at 1 January 2023	1,026,407
Fair value change	(131,148)
As at 30 June 2023 and 1 July 2023	895,259
Fair value change	42,890
As at 31 December 2023 and 1 January 2024	938,149
Fair value change	51,524
As at 30 June 2024	989,673

15 CONVERTIBLE BONDS – CONTINUED

None of the convertible bonds was converted into ordinary shares of the Company during the six months ended 30 June 2024.

16 DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value and fair value hierarchy of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs,

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – *continued*

(a) Financial assets and liabilities measured at fair value – *continued*

(i) Fair value hierarchy – continued

	Fair value at 30 June 2024	Fair value measurements as at 30 June 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2024				
Assets				
Financial assets at FVPL				
– Financial products	**82,576**	**–**	**82,576**	**–**
Total assets	**82,576**	**–**	**82,576**	**–**
Liabilities				
Financial liabilities at FVPL				
– Convertible bonds (Note 15)	**989,673**	**–**	**–**	**989,673**
Total financial liabilities	**989,673**	**–**	**–**	**989,673**
As at 31 December 2023				
Assets				
Financial assets at FVPL				
– Financial products	94,156	–	94,156	–
Total assets	94,156	–	94,156	–
Liabilities				
Financial liabilities at FVPL				
– Convertible bonds (Note 15)	938,149	–	–	938,149
Total financial liabilities	938,149	–	–	938,149

During the six months ended 30 June 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – *continued*

(ii) Valuation techniques inputs used in Level 2 fair value measurements

Financial instruments categorised under level 2 are wealth management products treated as financial assets at FVPL held by the Group. The fair value of these investments are the estimated amount that the Group would receive at the end of the reporting period, taking into account current market interest rates of instruments with similar risk profile.

(iii) Information about Level 3 fair value measurements

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Volatility	**53%**	47%
Time to expiration (years)	**1.25**	1.75
Risk free rate of interest	**4.18%**	3.52%
Dividend yield	**0.00%**	0.00%

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Hospital management service income	**50,143**	33,368
Interest income from loans to a related party	**2,338**	2,325

18 MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

(b) Provide guarantee for related party

As at 30 June 2024, the Group has pledged the equity interests in one of its subsidiaries, Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd.(浙江弘和致遠醫療科技有限公司)("Zhejiang Honghe Zhiyuan"), and also provided joint liability guarantees to various banks for loans granted to Jinhua Hospital. The maximum loan amount totalled RMB600,000,000. As at 30 June 2024, the principal amount of loan balance of Jinhua Hospital was RMB168,000,000.

19 CAPITAL COMMITMENTS

Commitments outstanding at 30 June 2024 not provided for in the interim financial report:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Contracted, but not provided for:		
– Property and equipment	**1,788**	154
– Intangible assets	**3,982**	1,990
	5,770	2,144

20 COMPARATIVE FIGURES

As a result of the application of IAS 1 amendments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items discloses for the first time in 2024. Further details of the changes in accounting policies are disclosed in note 3.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Review report to the board of directors of Hospital Corporation of China Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 30 to 55 which comprises the consolidated statement of financial position of Hospital Corporation of China Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2024 and the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting,* issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2024