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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Srar GU (7 Đ) (*Chief Executive Officer*)
Mr. Lu We. (Ö Ö)

Non-executive Directors

Mr. Zra J r. Huar (» ý Ç) (*Chairman*)
Mr. L Pe. (½ û)
M . L. Lu ())
M . Wan Na. (î ;)

Independent Non-executive Directors

M . Cre. Xa. (Ó È Î)
Mr. Sr Lu. (& } Ö)
Mr. Zr Xa. (t £ ¥)

AUDIT COMMITTEE

Mr. Zr Xa. (t £ ¥) (*Chairman*)
Mr. Sr Lu. (& } Ö)
Mr. L Pe. (½ û)

REMUNERATION COMMITTEE

M . Cre. Xa. (Ó È Î) (*Chairman*)
Mr. Srar GU (7 Đ)
Mr. Zr Xa. (t £ ¥)

NOMINATION COMMITTEE

Mr. Zra J r. Huar (» ý Ç) (*Chairman*)
Mr. Sr Lu. (& } Ö)
M . Cre. Xa. (Ó È Î)

COMPANY SECRETARY

M . K . Y. P. Y. (Ü ò 1)

AUTHORISED REPRESENTATIVES

Mr. Srar GU (7 Đ)
M . K . Y. P. Y. (Ü ò 1)

LISTING INFORMATION AND STOCK CODE

Tre Sic E cran. H. K. L. mied
(i.e., Stock Exchange)
Sic Code: 3869

HEAD OFFICE IN THE PEOPLES REPUBLIC OF CHINA

H. P. C. P. rai. Cr. L. mied (i.e., Company ,
i.e., in i. u. d. e. , i.e., Group)
1602, T. er B, J. r. Q. u. i. n. rai. ra. B. u. d. n.
N. 6, Zr cr. R. ad, Ha d. ar. D. í. r. c. í, Be. n.
Tre Pe. e' Rep. u. b. c. Cr. ra.

PRINCIPAL PLACE OF BUSINESS
IN HONG KONG

SUite 2701, One Esplanade Square
Central
Hong Kong

REGISTERED OFFICE

Maple Corporate Service Limited
PO Box 309, Union House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

www.rccrealcare.com

AUDITOR

PricewaterhouseCoopers

HONG KONG LEGAL ADVISOR

Chear Gieb Steer & Hamill (Hong Kong)

HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE

Computer Share Hong Kong Limited
Shop 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE
REGISTRAR AND TRANSFER OFFICE

Maple Fund Service (Cayman) Limited
PO Box 1093, Burdard House
Circus Square, Grand Cayman
KY1-1102, Cayman Islands

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	208,531	174,459
▶ Hospital pharmaceuticals	108,181	87,408
▶ General pharmaceuticals	98,301	86,680
▶ Wholesale pharmaceutical products	2,049	371
Adjusted primary ⁽¹⁾	102,616	80,386
Adjusted primary ⁽²⁾⁽³⁾	52,767	49,115
Adjusted primary	49.2%	46.1%
Adjusted primary ⁽³⁾	25.3%	28.2%
Adjusted items		
Employee benefits expense	2,923	31,540
Amortization of identifiable intangible assets	15,250	-
Gain/(loss) on disposal of non-current assets	62,029	(44,641)
Income and finance related expense ⁽²⁾⁽¹⁾	1,698	9,110

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	208,531	174,459
Grant primary ⁽¹⁾	84,443	53,846
Net primary/() ⁽²⁾	94,925	(36,176)
Basic earnings/(loss) per share in RMB	0.594	(0.280)

Note:

- For the six months ended June 30, 2019 (i.e., Reporting Period), the attributable profit of the Group for the Reporting Period amounted to RMB84.4 million. The attributable profit calculated for the Reporting Period, excluding the impact of the percentage share-based award and other employee benefits expense and amortization of intangible assets, amounted to RMB84.4 million.
- The Group recorded a net profit of RMB94.9 million for the Reporting Period. The adjusted net profit (i.e., Adjusted Net Profit) calculated for the Reporting Period, excluding the impact of certain items, are considered as non-recurring business management, including: (i) the share-based award and other employee benefits expense of RMB2.9 million; (ii) the share-based award and other employee benefits expense of RMB41.0 million arising from the Hainan Kinshu Investment Fund; (iii) the share-based award and other employee benefits expense of RMB21.0 million arising from the share-based award; (iv) amortization of intangible assets of RMB15.3 million; and (v) the share-based award and other employee benefits expense of RMB1.7 million. For the calculation of Adjusted Net Profit, the share-based award and other employee benefits expense are considered.
- For the six months ended June 30, 2018 (i.e., Corresponding Period of Previous Year), the adjusted net profit for the Corresponding Period of Previous Year did not consider the impact of the amortization of intangible assets of RMB6.1 million. The Adjusted Net Profit for the Reporting Period, including the Group's share-based award and other employee benefits expense, is higher than the Adjusted Net Profit for the Corresponding Period of Previous Year.

Six months ended June 30,

	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Adjusted Net Profit	52,767	55,230
Adjusted net profit margin	25.3%	31.7%

BUSINESS REVIEW AND PROSPECTS

In June 2019, the Group has been awarded a contract by the Ministry of Health of the People's Republic of China to provide medical services to the military and police forces. The contract is for a period of five years, starting from July 2019. The contract is a significant milestone for the Group as it demonstrates the Group's ability to provide high-quality medical services to the military and police forces. The contract is also a testament to the Group's long-standing reputation for providing high-quality medical services to the military and police forces. The contract is a significant milestone for the Group as it demonstrates the Group's ability to provide high-quality medical services to the military and police forces. The contract is also a testament to the Group's long-standing reputation for providing high-quality medical services to the military and police forces.

The Group has also been awarded a contract by the Ministry of Health of the People's Republic of China to provide medical services to the military and police forces. The contract is for a period of five years, starting from July 2019. The contract is a significant milestone for the Group as it demonstrates the Group's ability to provide high-quality medical services to the military and police forces. The contract is also a testament to the Group's long-standing reputation for providing high-quality medical services to the military and police forces.

The Group continued optimizing the merger and acquisition system and conserving efforts for expansion through mergers and acquisitions

The Group continued to improve the management system and the operation of the business, and the business performance was stable. The Group continued to improve the management system and the operation of the business, and the business performance was stable. The Group continued to improve the management system and the operation of the business, and the business performance was stable.

During the first half of 2019, under the guidance of the Board of Directors, the Group continued to improve the management system and the operation of the business, and the business performance was stable. The Group continued to improve the management system and the operation of the business, and the business performance was stable. The Group continued to improve the management system and the operation of the business, and the business performance was stable.

At present, the business is stable and the business performance is stable. The Group continued to improve the management system and the operation of the business, and the business performance was stable.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to create and manage emerging risks in Practice, enhance our Performance, and ensure the overall business is on a sound financial base:

- (1) The Group continues to invest in the Group's core and emerging markets, in line with the Group's strategy, and to ensure that the Group's overall performance is in line with the Group's strategy. The Group continues to invest in the Group's core and emerging markets, in line with the Group's strategy, and to ensure that the Group's overall performance is in line with the Group's strategy.
- (2) The Group continues to invest in the Group's core and emerging markets, in line with the Group's strategy, and to ensure that the Group's overall performance is in line with the Group's strategy. The Group continues to invest in the Group's core and emerging markets, in line with the Group's strategy, and to ensure that the Group's overall performance is in line with the Group's strategy.
- (3) The Group continues to invest in the Group's core and emerging markets, in line with the Group's strategy, and to ensure that the Group's overall performance is in line with the Group's strategy. The Group continues to invest in the Group's core and emerging markets, in line with the Group's strategy, and to ensure that the Group's overall performance is in line with the Group's strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Our Adjusted Group Profit is RMB102.6 million in the Reporting Period, compared with RMB100.5 million in the corresponding period of the previous year, an increase of 2.1%. The increase is mainly due to the increase in the contribution margin of the core business, and the decrease in the contribution margin of the non-core business. The increase in the contribution margin of the core business is mainly due to the increase in the contribution margin of the core business, and the decrease in the contribution margin of the non-core business.

We recorded an increase of approximately RMB112.3 million in the Reporting Period compared with RMB118.5 million in the corresponding period of the previous year, an increase of 5.2%. The increase is mainly due to the increase in the contribution margin of the core business, and the decrease in the contribution margin of the non-core business.

We recorded adjusted administrative expenses of RMB32.0 million in the Reporting Period, compared with RMB31.5 million in the corresponding period of the previous year, an increase of 1.6%. The increase is mainly due to the increase in the contribution margin of the core business, and the decrease in the contribution margin of the non-core business.

We recorded adjusted financial expenses (net) of RMB1.9 million in the Reporting Period, compared with RMB2.4 million in the corresponding period of the previous year, a decrease of 21.7%. The decrease is mainly due to the decrease in the contribution margin of the core business, and the increase in the contribution margin of the non-core business.

In the Reporting Period, we recorded an Adjusted Net Profit of RMB52.8 million, representing a decrease of 4.3% compared with RMB55.2 million in the corresponding period of the previous year (adjusted for the contribution margin of the core business and the contribution margin of the non-core business). Within the reporting period, we recorded a decrease in the contribution margin of the core business of RMB8.6 million, compared with RMB16.4 million in the corresponding period of the previous year, and the increase in the contribution margin of the non-core business of RMB1.6 million, compared with RMB1.6 million in the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As at June 30, 2019, our total assets were RMB1,769.5 million (as at December 31, 2018: RMB1,668.0 million). As at June 30, 2019, our total current liabilities were RMB1,360.5 million (as at December 31, 2018: RMB681.7 million) and current liabilities were RMB501.7 million (as at December 31, 2018: RMB538.1 million). As at June 30, 2019, our current ratio was 2.71, compared with 1.27 as at December 31, 2018.

Our current liabilities increased by approximately RMB678.8 million from RMB681.7 million as at December 31, 2018 to RMB1,360.5 million as at June 30, 2019, primarily due to an increase in our payables for the purchase of property, plant and equipment. Our current assets decreased by RMB36.4 million from RMB538.1 million as at December 31, 2018 to RMB501.7 million as at June 30, 2019, primarily due to a decrease in accrued interest payable.

During the reporting period, our cash and cash equivalents decreased. As at June 30, 2019, our cash and cash equivalents were RMB881.4 million (as at December 31, 2018: RMB195.5 million). As at June 30, 2019, our bank borrowings were RMB261.6 million (as at December 31, 2018: RMB263.6 million), including three credit facilities provided on June 21, 2019 in order to conduct our daily operations. The table below provides a summary of our bank borrowings during the period ended:

	Bank borrowings	
	As at June 30, 2019 RMB'000	As at December 31, 2018 RMB'000
Within 1 year	125,125	89,692
Between 1 and 2 year	68,251	74,538
Between 2 and 5 year	68,251	99,385
	<u>261,627</u>	<u>263,615</u>

As at June 30, 2019, the return on capital employed ("ROCE") increased as a result of an increase in earnings before interest and taxes ("EBIT") of 14.78%. Our directors believe that, after taking into account the increase in our cash and cash equivalents, the increase in our current liabilities was primarily due to an increase in our payables for the purchase of property, plant and equipment. As at June 30, 2019, the Group did not have any other financial liabilities or contingencies.

EVENTS AFTER THE REPORTING PERIOD

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c mmitee ire C mPar (ire, Audit Committee) due i irer r c mmimeri ire eci r mJU 24, 2019.
Mr. L Per (

MANAGEMENT DISCUSSION AND ANALYSIS

Convertible Bonds

MANAGEMENT DISCUSSION AND ANALYSIS

On March 29, 2018, the Company and Hainan Capital Fund VIII (Guangdong), L.P. (the, Vendor) entered into a share purchase agreement (the, Share Purchase Agreement) to acquire the shares and purchase the entire equity interest in Orenia A, a company incorporated in the British Virgin Islands limited liability corporation of the Vendor, in consideration of RMB630,000,000 (equivalent to approximately HK\$773,879,717).

Orenia A is an indirect wholly owned subsidiary of the Company, incorporated in 100% equity interest in Impeccable Success Limited (Impeccable Success), a company incorporated in 75% equity interest in Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd. (Zhejiang Honghe Zhiyuan) (collectively referred to as the, Target Group). The Target Group principally provides medical services in the People's Republic of China.

On August 17, 2018, the acquisition was completed and the Company directly held 100% equity interest in Orenia A and Orenia A became a subsidiary of the Company. Through Orenia A, the Company directly held 75% equity interest in Zhejiang Honghe Zhiyuan and the remaining 25% equity interest held by Hainan Kangma Medical Investment (Shanghai) Co., Ltd. has been recorded as a non-controlling interest.

The consideration was satisfied by the issuance of convertible preferred shares to the Vendor. On August 17, 2018, the convertible preferred shares were issued to the Vendor at a price of HK\$1.00 each. The convertible preferred shares were issued to the Vendor at a price of HK\$1.00. The convertible preferred shares may be converted into ordinary shares of the Company at the holder's option at a conversion price of HK\$20.00 per convertible share (subject to adjustment of the conversion price).

On December 21, 2018 and January 16, 2019, the Company and Leap Whale Limited (the, Subscriber) entered into a subscription agreement and amendment to the purchase agreement (the, Leap Whale Convertible Bonds) to issue the Leap Whale Convertible Bonds (the, LW Convertible Bonds) to the Subscriber at a price of HK\$800,000,000. The Leap Whale Convertible Bonds were issued to the Subscriber at a price of HK\$1.00 each. The LW Convertible Bonds may be converted into ordinary shares of the Company at the holder's option at a conversion price of HK\$20.00 per convertible share (subject to adjustment of the conversion price). Upon maturity, the Company may redeem the LW Convertible Bonds in full or partially in accordance with the terms of the Leap Whale Convertible Bonds. The Leap Whale Convertible Bonds will bear an interest rate of 6%.

MANAGEMENT DISCUSSION AND ANALYSIS

The market price of the ordinary shares of the Company, as at January 16, 2019, being the date of the financial statements, was HK\$16.18.

The unutilized portion of the proceeds of the IPO was approximately HK\$800 million as at June 30, 2019 and is expected to be applied according to the use of proceeds as stated in the circular of the Company dated January 16, 2019. The Company will use the unutilized portion of the proceeds to acquire additional private and public market equity, to be used by the Group and its wholly owned subsidiaries, to be used by the Group and its wholly owned subsidiaries, to be used by the Group and its wholly owned subsidiaries, to be used by the Group and its wholly owned subsidiaries.

	Percentage to the total amount	Net Proceeds HK\$ million	Utilized Amount HK\$ million	Unutilized Amount HK\$ million
Acquisition of private and public market equity	100%	800	Nil	800
Total	100%	800	Nil	800

As at June 30, 2019, the ordinary shares of the Company have been converted into Shares. Details of the ordinary shares of the Company have been disclosed in the annual reports of the Company dated December 21, 2018, January 16, 2019 and February 27, 2019 respectively.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's revenue is primarily derived from operations in the United States because of the exchange rate and the exchange rate.

The Group mainly operates in the PRC in mainland China and is settled in RMB. Foreign exchange rates are not expected to be significantly affected and are determined in a currency that is the primary currency.

As at June 30, 2019, the Group has entered into foreign exchange contracts in the United States, primarily in the form of US dollar and HK dollar.

The Group has entered into derivative contracts in the form of foreign exchange contracts. The Group's contracts are primarily in the form of foreign exchange contracts, primarily in the form of foreign exchange contracts, primarily in the form of foreign exchange contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF GROUP ASSETS

Definable Group Assets Pledged as Security for Bank Borrowings as at June 30, 2019 are disclosed in Note 21 in the consolidated financial statements.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in interim reports, there are no material investments or capital assets planned for the Group during the year.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at the date of this report, the interests in the shares and debentures of the Company or its associated corporation (including interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation (including interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation) in the name of the Company and the Securities of the Company under the Securities Ordinance (the SFO)) in the name of the Company and the Securities of the Company under the Securities Ordinance (the SFO) are as follows:

(1) The interests in the Shares and debentures of the Company or its associated corporation (including interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation) in the name of the Company and the Securities of the Company under the Securities Ordinance (the SFO) are 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 ⁽⁴⁾
Mr. Zha Jinnhua	Interests in the Shares and debentures of the Company or its associated corporation	161,693,985 ⁽¹⁾	117.01%
	Deemed interests in the Shares and debentures of the Company or its associated corporation	2,500,000 ⁽²⁾	1.81%
M. L. U. U.	Interests in the Shares and debentures of the Company or its associated corporation	9,098,800 ⁽³⁾	6.58%

Note:

(1) This includes the Shares held by Mr. Zha Jinnhua in the name of the Company or its associated corporation (including interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation) in the name of the Company and the Securities of the Company under the Securities Ordinance (the SFO) as at the date of this report, which amount to HK\$1,241,879,717. For more details, please refer to the circular of the Company dated February 13, 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at the date of this report, the directors, the executive directors, the independent non-executive directors, the chairman and the independent non-executive directors of the Company are deemed to be independent non-executive directors, under the relevant and applicable provisions of the Listing Rules (including, in particular, Part XV of the SFO) and are also deemed to be independent non-executive directors of the Company and the Significant Connected Parties of the Company.

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

As at the date of this report, the following persons (including the directors and executive directors of the Company)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of interest in the Company ⁽⁵⁾
Anhui Zhong'an Health Industry Investment Management Co., Ltd. (安海健康产业投资管理有限公司) (Anhui Zhong'an)			

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE-BASED PAYMENT SCHEMES

(a) Share Subscription Agreement

On March 31, 2016, the Company entered into a share subscription agreement with certain members of the management (collectively, Management Subscribers), the PricewaterhouseCoopers Limited (a member of the Company) (Midpoint Honour), Hong Kong 2008 Management Limited (a management company established by the Management Subscriber) (Midpoint Honour), Hong Kong 2008 Management Limited (a management company established by Hong Kong) and Vanguard Group, the immediate parent of the Company.

The Share Subscription Agreements were amended on December 4, 2016 and January 23, 2017, respectively (Amended Agreements).

Pursuant to the Share Subscription Agreement, the Company allotted and issued 300 million ordinary shares of the Company (Subscription Shares), representing 3% of the Company's issued ordinary shares of RMB31,152,000, and the Share Subscription Agreement was amended on December 4, 2016, the Company repurchased 14 million shares at a price of HK\$1,787,495.50 and the amended agreement was amended on January 23, 2017, the Company repurchased 286 million shares at a price of HK\$0.001 each ordinary share.

Pursuant to the Share Subscription Agreement and the Amended Agreement, the Company issued to the Management Subscribers a total of 300 million shares of the Company (Put Back Consideration). A total of 300 million shares of the Company were issued to the Management Subscribers in accordance with the terms of the Put Back Consideration. The Management Subscribers were issued 300 million shares of the Company (First Batch Share Options) and 24 million shares of the Company (Second Batch Share Options) from the Listing Date. The exercise price of the First Batch Share Options was determined as the market price of the Company's shares on the date of the listing of the Company.

On March 15, 2018, pursuant to the Share Subscription Agreement and the Amended Agreement, the First Batch Share Options were exercised by the Management Subscribers. On March 23, 2018, the Management Subscriber, Mr. Zhan Xaoping, resigned and the Company issued 11 million shares of the Company to him in accordance with the terms of the Put Back Consideration.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On March 15, 2019, the Board of Directors of the Company approved the Amendment to the Share Option Scheme. On March 31, 2019, the Company issued the Share Option Scheme to the employees of the Company. The Company has issued a total of 1,000,000 shares under the Share Option Scheme since its inception.

The share-based compensation expense related to the Share Option Scheme is RMB341,000 as recorded at the end of the reporting period ended June 30, 2019 (the prior period: RMB4,218,000).

(b) Pre-IPO Share Appreciation Rights Scheme

On November 28, 2016, the Board of Directors of the Company approved the Pre-IPO Share Appreciation Rights Scheme (the "Pre-IPO SARs Scheme") for the eligible employees of the Company (the "Pre-IPO SARs Grantees").

Under the Pre-IPO SARs Scheme, the Company granted 2,500,000 Pre-IPO SARs to the Pre-IPO SAR Grantees. The Pre-IPO SARs are exercisable from June 30, 2016.

Under the Pre-IPO SARs Scheme, from March 15, 2018, the Pre-IPO SAR Grantees can exercise 25% of the Pre-IPO SARs. On March 23, 2018, the Pre-IPO SAR Grantee, Mr. Zhan Xiaoping, exercised and remained 75% of the Pre-IPO SARs granted to him under the Pre-IPO SARs Scheme.

In January 2019, the Pre-IPO SAR Grantee exercised 25% of the Pre-IPO SARs granted to him.

On March 15, 2019, the Board of Directors of the Company approved the Amendment to the Pre-IPO SARs Scheme. On March 31, 2019, the Pre-IPO SAR Grantee exercised and remained 50% of the Pre-IPO SARs granted to him under the Pre-IPO SARs Scheme.

The share-based compensation expense related to the Pre-IPO SARs Scheme is RMB2,030,000 as recorded at the end of the reporting period ended June 30, 2019 (the prior period: RMB2,898,000 as recorded at the end of the reporting period).

CORPORATE GOVERNANCE AND OTHER INFORMATION

(c) Service Contract with Mr. Lu Wenzuo

Our Variable Interest Entity ("VIE") is New Pride Holding Limited ("New Pride") and Mr. Lu Wenzuo (the "Service Contract"), New Pride's director, entered into a service contract with Mr. Lu Wenzuo (referred to as "Weikang Investment Management Company, Ltd." ("Weikang Investment") and "Prudential Investment Management Company, Ltd." ("Prudential Investment Management Company, Ltd.")) on December 31, 2017:

- (a) Certain share awards (i.e., Share Awards) issued to 1% of the employees of Weikang Investment and Tbeida Honghe Ruixin Business Management Company, Ltd. ("Honghe Ruixin") received in the year ended December 31, 2017 from New Pride and Tbeida Honghe Zhiyuan Business Management Company, Ltd. ("Honghe Zhiyuan") received a cash payment of 1% of the employees in each of Weikang Investment and Honghe Ruixin received in the year ended December 31, 2017 and our Share Awards were issued by New Pride after the Mr. Lu's departure; and
- (b) Share appreciation rights ("Mr. Lu's SARs") received a cash payment of 1% of the employees of Weikang Investment and Honghe Ruixin. Mr. Lu's SARs were issued by New Pride after the Mr. Lu's departure.

On March 30, 2018, our Variable Interest Entity ("VIE") Mr. Lu Wenzuo in New Pride, Mr. Lu Wenzuo confirmed that he received the Share Awards in the year ended December 31, 2017. Our Variable Interest Entity ("VIE") is a variable interest entity ("VIE") of New Pride. The debt of Mr. Lu Wenzuo in the Share Awards amounting to RMB40,500,000 was recorded as a liability on the date of the year ended December 31, 2017.

On January 25, 2019, Mr. Lu Wenzuo submitted an application to New Pride to receive Mr. Lu's SARs. As of June 30, 2019, the payment has not been made.

The share-based compensation expense related to Mr. Lu's SARs of RMB277,000 was recorded as a liability on the year ended December 31, 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(d) Share Incentive Scheme

On October 24, 2017, Van Ward Group entered into a share incentive scheme (the "Share Incentive Scheme") in which certain members of management (collectively referred to as the "Share Incentive Grantees") received shares. Pursuant to the Share Incentive Scheme, Van Ward Group granted 6,412,201 shares at a price of HKD14.35 per share, which is the closing price of the shares of Van Ward Group on the date of grant.

On March 23, 2018, the Share Incentive Grantee, Mr. Zhan Xiaoping, resigned from the Company and the shares granted to Mr. Zhan Xiaoping would remain unexercised.

On April 13, 2018, another member of the Share Incentive Grantee resigned from the Company and the shares granted to him would be exercised in full and the remaining 75%

(e) Post-IPO Share Appreciation Rights Scheme

We adopted a post-IPO share appreciation rights scheme (the “Post-IPO SARs Scheme”) on December 13, 2016 to enable the Company to grant the 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 of the subsidiaries. The Post-IPO SARs Scheme does not involve the grant of options over new securities of the Company. Under the scheme, directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of the subsidiaries (the “Post-IPO SARs Eligible Participants”) who, in the sole opinion of the Board, have contributed to the Company and/or any of the 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 or rights to dividends entitled by the Shareholders.

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

Save as disclosed above or otherwise in this interim report, the Company does not have other share incentive schemes.

During the Reporting Period, the movement of shares and share appreciation rights granted under the above-mentioned incentive schemes were as follows:

Category	Type	Date of Grant	Exercise Price per Share	Exercise Period	Balance as at January 1, 2019	Granted during the Reporting period	Exercised during the Reporting period	Cancelled/ Lapsed during the Reporting period	Balance as at June 30, 2019
Employees of the Group	Management Subscription	March 31, 2016	RMB10.384	March 15, 2018 - March 15, 2019	2,860,000	-	-	-	2,860,000
	Pre-IPO Share Appreciation Rights Scheme	November 28, 2016	HKD12.80	March 15, 2018 - March 15, 2021	1,562,500	-	(312,500)	(250,000)	1,000,000

CONTINUING CONNECTED TRANSACTION

During the Reporting Period, Jardine Holdings, an indirect wholly owned subsidiary of the Company, entered into continuing connected transactions (i.e., CCTs) related to Zhejiang Dajia Medical Instruments Co., Ltd. (浙江大佳医疗器械有限公司) (Zhejiang Dajia) and Zhejiang Zhongyouli Medical Co., Ltd. (浙江中佑利医疗器械有限公司) (Zhejiang Zhongyouli).

As at June 30, 2019, the carrying amount of the medical equipment purchased from the Group by the Company was RMB1,000,000.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES TO DIRECTORS INFORMATION

Save as disclosed in the interim report, the directors confirmed that no changes have occurred pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the principles of the Corporate Governance Code (the CG Code) contained in Appendix 14 of the Listing Rules. The Board considered that, during the Reporting Period, the Company has complied with the applicable code of the CG Code. The Company continues to review and enhance its corporate governance practices in line with the CG Code.

COMPLIANCE WITH MODEL CODE

The Company has adopted the model code for directors' securities transactions in the Company's Board Director and Senior Management (the "Senior Management" of the Company) (the Securities Dealing Code) in terms of the applicable provisions of the Model Code. Having made specific enquiries of the Directors, the Company confirmed that the Directors have complied with the Securities Dealing Code and the Model Code during the Reporting Period.

AUDIT COMMITTEE

The unaudited review and the order of the consolidated financial statements of the Group were finalized on June 30, 2019 and have been reviewed by the Audit Committee. The Audit Committee consists of independent non-executive Directors, Mr. Zhu Xian'an (t£¥

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF HOSPITAL CORPORATION OF CHINA LIMITED

(incorporated in the Cayman Islands)

INTRODUCTION

We have reviewed the interim financial information of Hospital Corporation of China Limited (the "Company") and its subsidiaries (the "Group") as at June 30, 2019 and the interim condensed consolidated interim financial information, the interim condensed consolidated interim financial statements and the interim condensed consolidated interim financial statements, and a summary of the financial position and the results of operations. The Review is conducted in accordance with the Securities and Futures Commission (the "SFC") Circular Letter on the Preparation and Presentation of Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express an opinion on the interim financial information based on the review and to report on our findings in accordance with the relevant provisions of the Companies Ordinance. We do not provide any assurance on the interim financial information.

SCOPE OF REVIEW

We conducted the review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information is a limited assurance engagement, primarily performed to provide assurance on financial matters, and apply analytical and other review procedures. A review is substantially less extensive than an audit conducted in accordance with International Standard on Auditing and cannot be expected to identify all material misstatements that would become material in the financial statements derived from an audit, and therefore a review is not an audit.

CONCLUSION

Based on the review, in our opinion, the interim financial information of the Company and its subsidiaries is prepared, in all material aspects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 128, 2019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	June 30, 2019 RMB' 000 (Unaudited)	December 31, 2018 RMB' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	146,616	143,940
Right-of-use assets	3(a)	4,696	-
Intangible assets	13	2,921,307	2,936,539
Goodwill	13	39,015	39,487
Deferred tax assets	23	1,170	933
Other receivables, deposits and prepayments	15	2,452	3,243
Total non-current assets		3,115,256	3,124,142
Current assets			
Inventory		7,831	8,664
Contract assets		11,454	-
Trade receivables	14	37,553	33,822
Other receivables, deposits and prepayments	15	2,152	2,895
Amounts due from related parties	16	235,835	191,040
Financial assets at fair value through profit or loss	5.3	184,233	249,767
Cash and cash equivalents		881,397	195,521
Total current assets		1,360,455	681,709
Total assets		4,475,711	3,805,851
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	123	123
Share premium	17	435,304	432,993
Treasury shares	17	-	*
Reserves	18	914,779	910,458
Retained earnings (accumulated losses)		62,857	(19,172)
Equity attributable to owners of the Company		1,413,063	1,324,402
Non-controlling interests		356,478	343,582
Total equity		1,769,541	1,667,984

* The balance related to treasury shares is RMB500.

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *CONTINUED*

	Note	June 30, 2019 RMB' 000 (Unaudited)	December 31, 2018 RMB' 000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	21	136,502	173,923
Convertible bond	22	1,714,985	1,073,856
Lease liability	3(a)	2,022	-
Deferred income tax liability	23	350,498	350,512
Accrued interest payable and provisions	20	437	1,466
		<u>2,204,444</u>	<u>1,599,757</u>
Total non-current liabilities			
Current liabilities			
Trade payable	19	16,095	16,885
Accrued interest payable and provisions	20	72,604	137,836
Amount due to related parties	16	27,634	40,136
Contract liability		70	549
Current income tax liability		37,016	31,212
Borrowings	21	125,125	89,692
Lease liability	3(a)	2,382	-
Financial liabilities at amortized cost		220,800	221,800
		<u>501,726</u>	<u>538,110</u>
Total current liabilities			
Total liabilities		<u>2,706,170</u>	<u>2,137,867</u>
Total equity and liabilities		<u>4,475,711</u>	<u>3,805,851</u>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on page 30 to 72 were approved by the Board of Directors on August 28, 2019 and were signed on behalf of:

Zha Junhua

Shan Guo

Note	Attributable to owners of the Company						Attributable to non-controlling interests	Total equity	
	Share capital	Treasury shares	Share premium	Reserves (Note 18)	Retained earnings	Sub-total			
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000			
<i>(Unaudited)</i>									
	Balance at January 1, 2019	123	—*	432,993	910,458	(19,172)	1,324,402	343,582	1,667,984
	Comprehensive income								
	Profit for the period	—	—	—	—	82,029	82,029	12,896	94,925
	Share-based payments - rare								
17	Share-based payments - rare	—	—*	2,311	—	—	2,311	—	2,311
18	Share-based payments - rare	—	—	—	311	—	311	—	311
18	Share-based payments - rare	—	—	—	4,010	—	4,010	—	4,010
	Balance at June 30, 2019	<u>123</u>	<u>—</u>	<u>435,304</u>	<u>914,779</u>	<u>62,857</u>	<u>1,413,063</u>	<u>356,478</u>	<u>1,769,541</u>

* The balance related to the share premium is RMB500.

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

Note	Attributable to the Company					Attributable to the Minority		
	Share Capital RMB'000	Treasury Shares RMB'000	Share Premium RMB'000	Reserves (Note 18) RMB'000	Retained Earnings RMB'000	Subsidiaries RMB'000	Minority Interests RMB'000	Total RMB'000
<i>(Unaudited)</i>								
Balance at January 1, 2018	123	(3)	404,021	1,070,628	39,344	1,514,113	48,012	1,562,125
Comprehensive Income								
-(Loss)/Profit for the Period					(38,269)	(38,269)	2,093	(36,176)
Non-controlling interests in subsidiaries							146,499	146,499
Share-based payments - share-based payments	17	3	28,972	40,500		69,475		69,475
Share-based payments - share-based payments	18			2,687		2,687		2,687
Share-based payments - share-based payments	18			12,124		12,124		12,124
Balance at June 30, 2018	<u>123</u>	<u>*</u>	<u>432,993</u>	<u>1,125,939</u>	<u>1,075</u>	<u>1,560,130</u>	<u>196,604</u>	<u>1,756,734</u>

* The balance of share-based payments is less than RMB500.

The above condensed consolidated financial statements should be read in conjunction with the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	17,725	55,518
Interest paid	(21,651)	(18,269)
Interest received	9 216	423
Net cash (used in)/generated from operating activities	(3,710)	37,672
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,778)	(18,950)
Payment of acquisition	(178)	-
Purchase of intangible assets	5.3 () -	(155,000)
Payment of acquisition	-	(304,318)
Payment of pre-acquisition	(2,008)	(3,648)
Payment of pre-acquisition	-	(35,000)
Repayment of pre-acquisition	-	80,000
Loan related parties	(38,573)	(42)
Proceeds from disposal of assets	5.3 () 68,730	29,650
Interest received on deposits	3,032	-
Net cash generated from/(used in) investing activities	25,225	(407,308)
Cash flows from financing activities		
Proceeds from bank loans	40,000	40,000
Proceeds from convertible bond	22 682,160	378,706
Repayment of related parties	(28,124)	(35,555)
Repayment of borrowings	(41,759)	(1,639)
Payment of interest	(7,201)	(7,676)
Payment of pre-acquisition	(1,623)	-
Prepayment of acquisition	(948)	-
Dividend income	-	(2,115)
Net cash received from financing activities	642,505	371,721
Net increase in cash and cash equivalents	664,020	2,085
Carrying amount of cash and cash equivalents at the beginning of the period	195,521	260,787
Effect of exchange rate changes on carrying amount of cash and cash equivalents	21,856	1,933
Cash and cash equivalents at end of the period	881,397	264,805

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Hospita Corporation of China Limited (the 'Company') is a public limited liability company incorporated in the People's Republic of China on February 21, 2014 and is a listed company in the Shanghai Stock Exchange (SSE) (Stock Code: 600222). The company is a public limited liability company incorporated in the People's Republic of China on February 21, 2014 and is a listed company in the Shanghai Stock Exchange (SSE) (Stock Code: 600222). The address of the Company's registered office is PO Box 309, Uland Hill, Grand Canal, KY1-1104, Cambridge.

The Company, together with its subsidiaries (collectively referred to as the 'Group'), are principally engaged in the provision of pharmaceutical products and services in the People's Republic of China ('PRC').

The Company is controlled by Vanward Group Limited ('Vanward Group'), a public limited liability company incorporated in the Cayman Islands, which is considered a variable interest entity of the Company.

The directors of the Company were elected at the March 2017 Annual General Meeting of the Company on March 16, 2017.

The interim condensed consolidated financial statements are prepared in Renminbi ('RMB') and rounded to the nearest million RMB, unless otherwise stated.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the period ended June 30, 2019 have been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The interim condensed consolidated financial statements do not include adjustments for items that are not normally included in annual financial statements but would be required for the annual financial statements of the Group for the year ended December 31, 2018, nor have they been prepared in accordance with International Financial Reporting Standard ('IFRS'), and any public announcements made by the Company during the period ended June 30, 2019.

The accounting policies adopted are consistent with the annual financial statements for the year ended December 31, 2018, as described in the annual financial statements, except where indicated otherwise and amended in accordance with the following:

(a) New and amended standards adopted by the Group

A number of new and amended standards became applicable to the current reporting period, and the Group has adopted the accounting policies and methods specified in the applicable amendments to IFRS 16 Leases.

The impact of the adoption of the new and amended standards and the related accounting policies are disclosed in Note 3 below. The new and amended standards adopted by the Group's accounting policies are disclosed in the relevant financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 Lease from January 1, 2019. The Group's financial statements and disclosures are prepared in accordance with the accounting policies that have been applied from January 1, 2019. The Group has also applied IFRS 16 retrospectively from January 1, 2019, but the comparative figures for 2018 represent the period, a permitted under the specific transitional provisions of the standard. The reconciliation of the financial statements for the period are presented in the following table as at January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in real estate lease contracts. The Group has also adopted the practical expedient under the principle of IAS 17 Lease. The lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities at January 1, 2019 is 4.90%.

	2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	1,612
Discounted lease payments recognised at the date of initial application	1,485
(Lease): short-term lease recognised in a straight-line basis expense	(602)
(Lease): low value lease recognised in a straight-line basis expense	(8)
	<u>875</u>
Lease liability recognised as at January 1, 2019	<u>875</u>
Other items:	
Current lease liabilities	277
Non-current lease liabilities	598
	<u>875</u>

The above short-term and low value lease payments are measured on a straight-line basis over the lease term and have been applied. Other short-term and low value lease payments are measured on a straight-line basis over the lease term and have been applied. The reconciliation of the financial statements for the period are presented in the following table as at December 31, 2018. There are no other items to be disclosed in the financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES *continued*

(a) Adjustments recognised on adoption of IFRS 16 *continued*

The recognised right-of-use assets are as follows:

	June 30, 2019 RMB'000	January 1, 2019 RMB'000
Prepaid	4,696	1,109
Total right-of-use assets	4,696	1,109

The change in accrued liabilities is as follows:

Right-of-use assets increased by RMB1,109,000

Prepaid decreased by RMB234,000

Lease liabilities increased by RMB875,000

The resulting impact on related earnings is as follows:

(i) Impact on the related earnings *continued*

Segment lease liabilities for June 2019 increased the related right-of-use assets, and EBITDA decreased accordingly. Lease liabilities are included in the segment liabilities. The segment liabilities are as follows:

	EBITDA RMB'000	Segment assets RMB'000	Segment liabilities RMB'000
General practice	–	417	312
Western Pharmaceutical Products	–	953	875
Unaudited	(25)	3,326	3,217
	(25)	4,696	4,404

Earnings per share decreased by RMB0.004. Earnings per share is measured under June 30, 2019 as if the adoption of IFRS 16.

3 CHANGES IN ACCOUNTING POLICIES *Practică contabilă*

(a) Adjustments recognised on adoption of IFRS 16 *Practică contabilă*

(i) *Practică contabilă aplicată*

În aplicarea IFRS 16 în primele trimestre, Grupul nu a avut în aplicare practica contabilă permisă în standard:

Grupul a aplicat metoda de evaluare a activelor și a obligațiilor la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață. În cazurile în care măsurarea la valoarea de piață este imposibilă sau foarte costisitoare, Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață.

Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de 12 luni la data 1 ianuarie 2019 a aplicării termenilor de evaluare.

Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare.

Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare.

Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare. În plus, Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare.

(b) The Group's leasing activities and how these are accounted for

Grupul este activ în activitatea de leasing, atât ca leasingar, cât și ca leasat. Rentele pentru activitățile de leasing sunt înregistrate în contul de profit și pierdere în perioada de raportare. Leasingurile sunt înregistrate în bilanț ca activități de leasing sau ca obligații de leasing în funcție de natura activității de leasing. Grupul aplică metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare.

În primul trimestru al anului 2018, Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare. În plus, Grupul a aplicat metoda de evaluare la valoarea de piață în cazul în care acestea sunt măsurabile la valoarea de piață în termenii termenilor de evaluare la valoarea de piață în termenii termenilor de evaluare.

3 CHANGES IN ACCOUNTING POLICIES *Continued*

(b) The Group's leasing activities and how these are accounted for *Continued*

From January 1, 2019, the Group has reclassified all its right-of-use assets and liabilities arising from lease contracts as lease receivables and lease liabilities, respectively. Each lease is classified as either a finance lease or an operating lease. The lease contracts are classified as finance leases if they transfer substantially all the risks and rewards of ownership to the lessee. If not, they are classified as operating leases. The right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless they are short-term leases.

All lease liabilities are recognized at the present value of the lease payments, using the incremental borrowing rate. Lease liabilities are measured at amortized cost.

Lease receivables (net of unearned income), are measured at amortized cost. Lease receivables are measured at amortized cost, less expected credit losses. Lease receivables are classified as non-current assets unless they are due within 12 months after the reporting date.

The Group's lease contracts are primarily for the use of office space, vehicles and equipment. The Group's lease contracts do not contain any leasehold improvements. The Group's lease contracts are primarily for the use of office space, vehicles and equipment. The Group's lease contracts do not contain any leasehold improvements.

4 ESTIMATES

The Prepaid in interim financial statements are made up of prepayments for the purchase of goods and services, and are classified as current assets. The Group's policy is to recognize prepayments when the goods and services are received or when the payment is made, whichever is earlier. The Group's policy is to recognize prepayments when the goods and services are received or when the payment is made, whichever is earlier.

In the interim condensed consolidated financial statements, the Group's policy is to recognize prepayments for the purchase of goods and services when the goods and services are received or when the payment is made, whichever is earlier. The Group's policy is to recognize prepayments when the goods and services are received or when the payment is made, whichever is earlier. December 31, 2018.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities are exposed to various financial risks, including credit risk, liquidity risk, and market risk.

The interim condensed consolidated financial statements include a number of financial instruments, and the Group's policy is to recognize these instruments when they are received or when the payment is made, whichever is earlier. December 31, 2018.

There has been no change in the Group's financial risk management policy during the period.

5.2 Liquidity risk

Compared to the 2018 year-end, the Group has issued additional convertible preferred shares of HKD800,000,000, which will be converted into ordinary shares of the Group upon the occurrence of certain events. The Group's policy is to recognize these shares when they are issued or when the payment is made, whichever is earlier. December 31, 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation

(i) Fair value hierarchy

The carrying amount of financial assets and liabilities is determined on the basis of the fair value of the financial instruments that are recognized and measured at fair value in the financial statements. The fair value of financial assets and liabilities is determined on the basis of the carrying amount of the financial instruments in the financial statements. The fair value of financial instruments is determined on the basis of the carrying amount of the financial instruments in the financial statements. The fair value of financial instruments is determined on the basis of the carrying amount of the financial instruments in the financial statements.

The carrying amount of financial instruments is determined on the basis of the carrying amount of the financial instruments in the financial statements. The fair value of financial instruments is determined on the basis of the carrying amount of the financial instruments in the financial statements.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<i>(Unaudited)</i>				
As at June 30, 2019				
Assets				
Financial assets at fair value				
measured at fair value ("FVPL")				
▶ Monetary instruments at fair value		183,033		183,033
▶ Cash and cash equivalents			1,200	1,200
Total assets		183,033	1,200	184,233
Liabilities				
Financial liabilities at FVPL				
▶ Contingent liabilities (Note 22)			1,714,985	1,714,985
Total				

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

5.3 Fair value estimation *continued*

(i) Fair value hierarchy *continued*

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<i>(Audited)</i>				
As at December 31, 2018				
Assets				
Financial assets at FVPL				
▶ Marketable securities		248,567		248,567
▶ Cash equivalents			1,200	1,200
Total assets		248,567	1,200	249,767
Liabilities				
Financial liabilities at FVPL				
▶ Current borrowings			1,073,856	1,073,856
Total liabilities			1,073,856	1,073,856

There were no transfers between Level 1, 2 and 3 during the period.

The Group's policy is to recognize transfers in and out of fair value hierarchy as a discrete event in the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) based on quoted market prices at the reporting period. The quoted market price used for financial assets and liabilities of the Group is the bid price. The instruments are included in Level 1.

Level 2: The fair value of financial instruments that are traded in active markets (for example, over-the-counter derivatives) determined using valuation techniques (such as the market-based observable inputs and relevant assumptions) - particularly, the use of the market-based inputs and assumptions. The instruments are included in Level 2.

Level 3: The fair value of financial instruments that are based on unobservable market data, the instruments are included in Level 3. The fair value is determined using valuation techniques.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

5.3 Fair value estimation *continued*

(i) *Value in equity of equity determined at the*

Specific value in equity of equity determined at the

Trade value of equity of equity determined at the

Financial value of equity of equity determined at the

(ii) *Financial value of equity of equity determined at the*

Trade value of equity of equity determined at the

Million
RMB
air rate
RMB'000

(Unaudited)

Opening balance as at January 1, 2019

248,567

Addition

Settlement

(68,730)

Gain recognized in other comprehensive income*

3,196

Closing balance as at June 30, 2019

183,033

* Include unrealized gain recognized in other comprehensive income

2,490

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *Continued*

5.3 Fair value estimation *Continued*

	Capital Increase Subscribed remained Share RMB'000	Contribute Share (Note 22) RMB'000	Total RMB'000
<i>(Unaudited)</i>			
Opening balance as at January 1, 2019	1,200	(1,073,856)	(1,072,656)
Addition		(682,160)	(682,160)
Settlement			
Gain recognized in income statement*		41,031	41,031
Closing balance as at June 30, 2019	<u>1,200</u>	<u>(1,714,985)</u>	<u>(1,713,785)</u>
* Include unrealized gain recognized in Profit or loss attributable to owners of the reporting period		<u>41,031</u>	<u>41,031</u>

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

5.3 Fair value estimation *continued*

(i) Fair value measurement *continued*

(a) Cash and cash equivalents

On October 27, 2017, NetPrde Holding Limited ("NetPrde") entered into a agreement with Jarde Health Enterprise Management Co., Ltd. ("Jarde Health") in Mr. Han Jun and Mr. Han Yan. Pursuant to the agreement, Zhenan Xinan Enterprise Co., Ltd., a company incorporated under the laws of the PRC, formed subsidiary and held 83% by Mr. Han Jun, granted NetPrde a cash and cash equivalents remaining at a considerable amount in accordance with the agreement. NetPrde management is confident that the fair value of the cash and cash equivalents at December 31, 2020, is determined as the fair value of the remaining interest in PermCo under the agreement, and the value of the PRC and the L in RVE, and the value of the subsidiary is determined as the fair value.

The directors of the Company are satisfied with the fair value of the cash and cash equivalents determined in the matter and in accordance with the agreement on December 31, 2019.

(b) Contingent liability

Management is satisfied with the value of the contingent liability of the company determined by the board of directors on December 31, 2019 as the management is satisfied with the value of the contingent liability determined by the board of directors on December 31, 2019, and the value of the contingent liability determined by the board of directors on December 31, 2019.

The data of each contingent liability is as follows: Nil as of December 22.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of financial assets and liabilities are determined in accordance with the fair value hierarchy in IFRS 13, which requires the use of observable market data to the greatest extent possible. The fair value of financial assets and liabilities is determined based on the following:

Trade receivable

Contractual liability

Other receivable, deposit and prepayment

Amortised due to related party

Card and cash

Trade payable

Contractual liability

Accrued interest payable and provision (excluding contractual liability)

Amortised due to related party

Bank

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *continued*

(b) Hospital management services *continued*

Pur Varii ire n Pia mara emeri rame r a reemeriar d ire eier i nieri i red b We an Ine i meri ard Sran ra Yan H Pia ("Yan H Pia") n JanVar 1, 2013 ard Oci ber 8, 2014, re Pecie e, ire n-ierm n Pia mara emeri a reemer i red b H nre RU n ard Yan H Pia n JanVar 1, 2016 ard ire anVa n Pia mara emeri a reemer i red b We an Ine i meri ard H nre RU n n Yan H Pia n JanVar 1, 2019 ard 2018, We an Ine i meri ard H nre RU n ra Pr ded mara emeri ard c n Viarc er ce i Yan H Pia n a Per d 50 ear r m 2016 i 2065 ard ire mara emeri ee be ca cu aied ba ed n Pre- ei r mVa ei Vi nre anVa n Pia mara emeri a reemer i acc rd n .

C H nre, a Ub dar C H n a Medca Mara emeri C ., Lid. ("C H n a"), eiered n i a eier i nieri n C U n n H Pia ("C H Pia") n FebrVar 1, 2018 ard i red a UPP emeri a reemer i ire eier i nieri n C H Pia n Mar 7, 2018. Pur Varii ire eier i nieri, C H nre ra Pr ded mara emeri ard c n Viarc er ce i C H Pia n a Per d 50 ear r m 2018 i 2067.

On Mar 26, 2018, C H nre eiered n i a e- ear n Pia mara emeri a reemer i n C H Pia c . er n ire Per d r m 2018 i 2022. Pur Varii ire n Pia mara emeri a reemer i, C H nre car der e mara emeri ee ba ed n ire Pre- ei r mVa ei Vi nre e- ear n Pia mara emeri a reemer i.

Zre an H nre Zr Var, a Ub dar Orenia A H d n L mied ("Orenia A"), eiered n i a 50- ear n Pia mara emeri eier i nieri n Zre an J n nVa GVan U Orc ca H Pia (J n nVa H Pia), c . er n ire Per d r m JanVar 1, 2017 i December 31, 2066. Pur Varii ire J n nVa H Pia eier i nieri, Zre an H nre Zr Var ra a reed i Pr de c n Viarc ard mara emeri er ce i J n nVa H Pia, ard J n nVa H Pia ra a reed i Pa Zre an H nre Zr Var mara emeri er ce ee . Tre de a ed er ce c nieri ard Pr c n are c r cV ded ard e eci e n a eParate 3- ear n Pia mara emeri a reemer i n cr a i red b Zre an H nre Zr Var ard J n nVa H Pia n J nre 30, 2017, c . er n ire Per d r m JanVar 1, 2017 i JanVar 1, 2020. Pur Varii ire 3- ear n Pia mara emeri a reemer i, ire mara emeri ee ra beer ca cu aied ba ed n ire Pre- ei r mVa .

(c) Wholesale of pharmaceutical products

Re erVe r m i re emeri i egerated n ire PRC ard der ed r m n re ae Pr maceuica Pr duci ai Zre an Da a Medc re C ., Lid. ("DJ Medc re").

(d) Unallocated

Tre 'Ura caied' caie r mara rePre eri ire read Varier rarc a n r mai n.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *continued*

Segment information of the Group is reported as follows:

	General hospital services RMB' 000	Hospital management services RMB' 000	Wholesale of pharmaceutical products RMB' 000	Elimination RMB' 000	Unallocated RMB' 000	Total RMB' 000
<i>(Unaudited)</i>						
Six months ended June 30, 2019						
Segment revenue	98,301	108,181	2,948	(899)	–	208,531
Inter-segment revenue	–	–	(899)	899	–	–
Revenue from external customers	<u>98,301</u>	<u>108,181</u>	<u>2,049</u>	<u>–</u>	<u>–</u>	<u>208,531</u>
Transaction revenue recognition						
▶ At a price	46,419	–	2,049	–	–	48,468
▶ Other	<u>51,882</u>	<u>108,181</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>160,063</u>
	<u>98,301</u>	<u>108,181</u>	<u>2,049</u>	<u>–</u>	<u>–</u>	<u>208,531</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 OTHER GAINS/(LOSSES) -NET

	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Net gain/(loss) on disposal of subsidiaries	41,031	(43,682)
Net gain/(loss) on disposal of FVPL	3,196	2,415
Other	(1,648)	(77)
	<u>42,579</u>	<u>(41,344)</u>

8 OTHER INCOME

	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Government grant (a)	109	1,509
Other	406	279
	<u>515</u>	<u>1,788</u>

- (a) The Government grant of RMB109,000 (compared with RMB1,509,000 in the same period ended June 30, 2018; RMB75,000 (compared with RMB1,380,000) in the same period ended June 30, 2018) was provided by the People's Government of Shanghai to Shanghai Sanatorium and Sanatorium for the purpose of the construction of the Weilan International Hotel in the same period ended June 30, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 FINANCE INCOME/(EXPENSE)-NET

	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Finance income		
Finance income from financial assets measured at amortized cost	1,000	▶
Finance income from debt investments	3,032	▶
Finance income from short-term bank deposits	110	▶
Finance income from debt investments measured at fair value through profit or loss	106	▶
Finance income from short-term structured deposits	–	423
Finance income from other financial assets	20,998	▶
	<u>25,246</u>	<u>423</u>
Finance expense		
Finance expense from other financial assets	–	(959)
Finance expense from short-term bank deposits	(6,097)	(7,676)
Finance expense from other financial assets	(25)	▶
	<u>(6,122)</u>	<u>(8,635)</u>
Finance income/(expense) net	<u>19,124</u>	<u>(8,212)</u>

10 INCOME TAX EXPENSE

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax rate of 15% or 25% (from period ended June 30, 2018: 15% or 25%) and the subsidiaries established June 30, 2019.

	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Current income tax:		
▶ PRC corporate income tax	18,265	12,793
Deferred income tax (Note 23)	(251)	(3,367)
	<u>18,014</u>	<u>9,426</u>

10 INCOME TAX EXPENSE

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB' 000	Leasehold improvements RMB' 000	Medical equipment RMB' 000	Office equipment, furniture and motor vehicles RMB' 000	Construction- in-progress RMB' 000	Total RMB' 000
<i>(Unaudited)</i>						
Six months ended June 30, 2019						
Net book value						
Opening amount						
January 1, 2019	115,678	234	21,319	6,709	–	143,940
Additions	–	7	5,115	138	2,491	7,751
Disposals	(117)	–	(56)	(17)	–	(190)
Depreciation	(2,067)	(46)	(1,992)	(780)	–	(4,885)
Closing amount June 30, 2019	<u>113,494</u>	<u>195</u>	<u>24,386</u>	<u>6,050</u>	<u>2,491</u>	<u>146,616</u>

<i>(Unaudited)</i>						
Six months ended June 30, 2018						
Net book value						
Opening amount						
January 1, 2018	17,765	21	–	597	–	18,383
Additions	–	–	5,272	606	–	5,878
Business combinations	101,990	313	17,982	6,722	–	127,007
Depreciation	(2,106)	(57)	(1,550)	(809)	–	(4,522)
Closing amount June 30, 2018	<u>117,649</u>	<u>277</u>	<u>21,704</u>	<u>7,116</u>	<u>–</u>	<u>146,746</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INTANGIBLE ASSETS AND LAND USE RIGHT

	Goodwill	Contractual rights to provide management services	Licenses	Software	Sub-total	Land use right	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<i>(Unaudited)</i>							
Six months ended June 30, 2019							
Net balance							
Operational as at January 1, 2019	1,617,767	1,137,153	180,047	1,572	2,936,539	39,487	2,976,026
Addition	-	-	-	178	178	-	178
Amortization	-	(11,823)	(3,427)	(160)	(15,410)	(472)	(15,882)
Carrying amount as at June 30, 2019	<u>1,617,767</u>	<u>1,125,330</u>	<u>176,620</u>	<u>1,590</u>	<u>2,921,307</u>	<u>39,015</u>	<u>2,960,322</u>
<i>(Unaudited)</i>							
Six months ended June 30, 2018							
Net balance							
Operational as at January 1, 2018	950,915	108,313	-	174	1,059,402	-	1,059,402
Addition	-	-	-	1,400	1,400	-	1,400
Balance combination	475,467	322,900	186,900	92	985,359	40,430	1,025,789
Amortization	-	(2,768)	(3,347)	(82)	(6,197)	(473)	(6,670)
Carrying amount as at June 30, 2018	<u>1,426,382</u>	<u>428,445</u>	<u>183,553</u>	<u>1,584</u>	<u>2,039,964</u>	<u>39,957</u>	<u>2,079,921</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 TRADE RECEIVABLES

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
Trade receivable	40,112	34,822
Less: Provision for impairment of trade receivable	(2,559)	(1,000)
Trade receivable net	<u>37,553</u>	<u>33,822</u>

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

As at June 30, 2019 and December 31, 2018, the ageing analysis based on invoice date of the trade receivable is as follows:

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
1 to 90 days	30,453	28,843
91 to 180 days	2,606	2,150
181 days to 1 year	5,197	2,795
Over 1 year	1,856	1,034
	<u>40,112</u>	<u>34,822</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
Prepayments for purchase of equipment	1,859	3,243
Advances to employees	777	516
Deposits for rent	557	539
Receivables from Security Bureau	530	303
Other prepayments	441	806
Other receivables	440	731
	<hr/>	<hr/>
Total	4,604	6,138
Less: non-current portion	2,452	3,243
	<hr/>	<hr/>
Current portion	2,152	2,895
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of other receivables, deposits and prepayments are denominated in RMB and approximate their fair value.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 BALANCES WITH RELATED PARTIES

As at June 30, 2019 and December 31, 2018, the balances with related Parties are Unaudited, where applicable, receivable/Payable on demand and are denominated in RMB.

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
Amounts due from related parties		
Trade receivable		
Jinsha Hospital	113,743	97,858
Yan He Hospital	72,876	32,456
Chengde Hospital	8,601	226
Other		
Jinsha Hospital	40,000	21,102
Vanward Group Limited	360	360
Yan He Hospital	202	56
Medpharm Hospital Limited	36	36
Grand Rich Hotel Limited	9	9
Harbin Prehospital Limited	8	8
Dongfang Guan Hospital	—	37,356
Hainan Capital Fund VIII (Cambiar), L.P.	—	1,573
	<u>235,835</u>	<u>191,040</u>
Total		

As at June 30, 2019 and December 31, 2018, the accounts payable based on trade date are trade receivable as follows:

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
Within 30 days	50,442	39,677
30 to 90 days	50,142	10,048
90 to 180 days	8,773	14,319
Over 180 days	85,863	66,496
	<u>195,220</u>	<u>130,540</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 SHARE CAPITAL, TREASURY SHARES AND SHARE PREMIUM

	Number of shares	Nominal value of shares HKD
Authorized		
Ordinary shares	<u>500,000,000</u>	<u>500,000</u>

	Number of shares	Ordinary shares RMB' 000	Treasury shares RMB' 000	Share premium RMB' 000	Total RMB' 000
<i>(Unaudited)</i>					
Issued and Paid					
As at January 1, 2019	138,194,000	123	—*	432,993	433,116
Verifying share order memorandum subscribed	—	—	—*	2,311	2,311
As at June 30, 2019	<u>138,194,000</u>	<u>123</u>	<u>—</u>	<u>435,304</u>	<u>435,427</u>

	Number share	Ordinary share RMB' 000	Treasury share RMB' 000	Share Premium RMB' 000	Total RMB' 000
<i>(Unaudited)</i>					
Issued and Paid					
As at January 1, 2018	138,194,000	123	(3)	404,021	404,141
Verifying share order memorandum subscribed	—	—	3	28,972	28,975
As at June 30, 2018	<u>138,194,000</u>	<u>123</u>	<u>—*</u>	<u>432,993</u>	<u>433,116</u>

* Treasury shares are valued at the par value of RMB500.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 RESERVES

	Capital reserve RMB' 000	Other reserve RMB' 000	Total RMB' 000
<i>(Unaudited)</i>			
At January 1, 2019	878,445	32,013	910,458
Share-based payment - restricted share plan	311	-	311
Share-based payment - restricted share plan	4,010	-	4,010
At June 30, 2019	<u>882,766</u>	<u>32,013</u>	<u>914,779</u>
<i>(Unaudited)</i>			
At January 1, 2018	1,046,641	23,987	1,070,628
Share-based payment - restricted share plan	40,500	-	40,500
Share-based payment - restricted share plan	2,687	-	2,687
Share-based payment - restricted share plan	12,124	-	12,124
At June 30, 2018	<u>1,101,952</u>	<u>23,987</u>	<u>1,125,939</u>

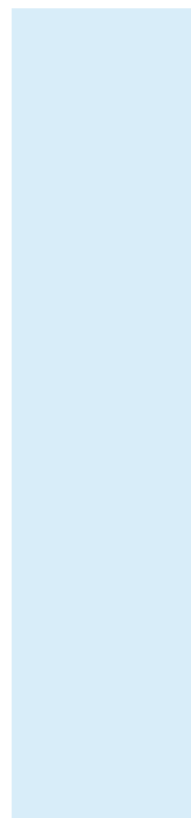
19 TRADE PAYABLES

As at June 30, 2019, based on the due date, trade payables are classified by due date as follows:

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
Within 90 days	11,520	10,474
91 to 180 days	1,820	4,807
181 days to 1 year	1,505	713
Over 1 year	1,250	891
	<u>16,095</u>	<u>16,885</u>

The carrying amount of trade payables are denominated in RMB. The carrying amount is primarily made up of amounts due in the short-term maturity.

20 ACCRUALS, OTHER PAYABLES AND PROVISIONS



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 CONVERTIBLE BONDS

The following table shows the carrying amount of convertible bonds:

	Convertible Bonds			
	March 5, 2018 RMB'000	August 7, 2018 RMB'000	February 27, 2019 RMB'000	Total RMB'000
As at January 1, 2019	430,241	643,615	–	1,073,856
Issuance of convertible bonds during the period	–	–	682,160	682,160
Differences between carrying amount and fair value arising from:				
- fair value adjustments recognized	2,318	(7,633)	120	(5,195)
- fair value changes from conversion of convertible bonds	(35,931)	(44,686)	39,953	(40,664)
Accumulated amortization difference between carrying amount and fair value arising from the premium	(642)	636	–	(6)
Accrued interest receivable	(1,290)	6,234	(110)	4,834
As at June 30, 2019	<u>394,696</u>	<u>598,166</u>	<u>722,123</u>	<u>1,714,985</u>

(i) Convertible bonds issued on March 5, 2018

The carrying amount of convertible bonds issued in the period ended June 30, 2019, is as follows:

As at June 30, 2019, the carrying amount of convertible bonds is approximately HKD450,560,000, equivalent to approximately RMB395,986,000, which is determined based on the prevailing market value.

22 CONVERTIBLE BONDS

(ii) Convertible bonds issued on August 7, 2018

On August 7, 2018, the Company issued convertible bonds with a face value of RMB672,011,000, which is equivalent to approximately HKD100,000,000, and a coupon rate of 6% per annum.

As at June 30, 2019, the carrying amount of convertible bonds is approximately HKD672,011,000, and the fair value is approximately RMB591,932,000, which is determined based on the market price of the Company's shares.

(iii) Convertible bonds issued on February 27, 2019

On February 27, 2019, the Company issued convertible bonds with a face value of RMB800,000,000 (equivalent to approximately RMB681,160,000) and a coupon rate of 6% per annum. The convertible bonds are convertible into the Company's ordinary shares at a conversion price of HKD20.00 per share (subject to adjustment in the conversion price). Upon maturity, the Company can redeem the convertible bonds in full or partially at its discretion. The convertible bonds are convertible into the Company's ordinary shares at a conversion price of HKD20.00 per share (subject to adjustment in the conversion price). Upon maturity, the Company can redeem the convertible bonds in full or partially at its discretion. The convertible bonds are convertible into the Company's ordinary shares at a conversion price of HKD20.00 per share (subject to adjustment in the conversion price). Upon maturity, the Company can redeem the convertible bonds in full or partially at its discretion.

The convertible bonds are denominated in Renminbi. The carrying amount of convertible bonds on February 27, 2019 is HKD800,140,300, which is determined based on the market price of the Company's shares.

The carrying amount of convertible bonds is measured at fair value in Renminbi. The carrying amount of convertible bonds is measured at fair value in Renminbi. The carrying amount of convertible bonds is measured at fair value in Renminbi.

On August 7, 2018, the Company issued convertible bonds with a face value of RMB672,011,000, which is equivalent to approximately HKD100,000,000, and a coupon rate of 6% per annum.

As at June 30, 2019, the carrying amount of convertible bonds is approximately HKD821,036,000, and the fair value is approximately RMB722,233,000, which is determined based on the market price of the Company's shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 DEFERRED INCOME TAX

	As at June 30, 2019 RMB' 000 (Unaudited)	As at December 31, 2018 RMB' 000 (Audited)
Deferred income tax assets:		
▶ Deferred income tax assets to be recognized after 12 months	—	—
▶ Deferred income tax assets to be recognized within 12 months	1,170	933
	<u>1,170</u>	<u>933</u>
Deferred income tax liabilities:		
▶ Deferred income tax liabilities to be settled after 12 months	(323,842)	(329,042)
▶ Deferred income tax liabilities to be settled within 12 months	(26,656)	(21,470)
	<u>(350,498)</u>	<u>(350,512)</u>
Deferred income tax liabilities	<u>(349,328)</u>	<u>(349,579)</u>

Deferred income tax assets

	Provisions RMB' 000	Changes in fair value RMB' 000	Unrealized profit RMB' 000	Total RMB' 000
<i>(Unaudited)</i>				
Balance at January 1, 2019	694	173	66	933
Credited in Profit	303	—	(66)	237
	<u>997</u>	<u>173</u>	<u>—</u>	<u>1,170</u>
Balance at June 30, 2019	<u>997</u>	<u>173</u>	<u>—</u>	<u>1,170</u>
<i>(Unaudited)</i>				
Balance at January 1, 2018	—	—	—	—
Balance contributed	472	—	—	472
Credited in Profit	168	3,571	192	3,931
	<u>640</u>	<u>3,571</u>	<u>192</u>	<u>4,403</u>
Balance at June 30, 2018	<u>640</u>	<u>3,571</u>	<u>192</u>	<u>4,403</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 DEFERRED INCOME TAX *continued*

Deferred income tax liabilities

Buildings
and
Intangible
assets

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if they are related to the Group or are able to, directly or indirectly, control or influence the Group or exercise significant influence over the Group's financial and operating decisions. Aare Wei, Yan H. Pia, C. H. Pia, Jennua H. Pia, D. n. an Guan UH. Pia and Y. n. an H. Pia are considered to be related to the Group as participants in the share-based payment. Other parties are also considered to be related if they are beneficial owners, common shareholders, members of the management and immediate family members of the Group and are considered a related party.

The directors of the Company are the following parties in related party transactions with the Group:

Name	Relationship with the Group
Yan H. Pia	Certain employee directors of the Group are Yan H. Pia's indirect share-based member
C. H. Pia	Certain employee directors of the Group are C. H. Pia's indirect share-based member
Jennua H. Pia	Certain employee directors of the Group are Jennua H. Pia's indirect share-based member
D. n. an Guan UH. Pia	Certain employee directors of the Group are D. n. an Guan UH. Pia's indirect share-based member
Y. n. an H. Pia	Certain employee directors of the Group are Y. n. an H. Pia's indirect share-based member
Van Ward Group Limited	Parent company
Grand Rich Holdings Limited	Related party controlled by the former CEO during 2018
Medicine Holdings Limited	Related party controlled by the management member
Har Pre Inc Limited	Related party parent company
Zrean Xin'an International Co., Ltd.	Related party controlled by Mr. Han Jianjun
Daha Medical Equipment Co., Ltd.	Related party controlled by Mr. Han Jianjun
Daha Group Co., Ltd.	Related party controlled by Mr. Han Jianjun
Zrean Zrean Medical Co., Ltd.	Related party controlled by a management member Mr. Han Jianjun
H. n. Capia Fund VIII (Cambodia), L.P.	Managed by H. n. Capia Fund VIII GP (Cambodia) Limited, controlled by 49% by Mr. Zrean Jianjun

The significant transactions were carried out between the Group and its related parties in the period ended June 30, 2019 and 2018. In the period the directors of the Company, the related party transactions were carried out in the normal course of business and all terms related between the Group and the related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant transactions with related parties

	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Marginal Service fee		
▶ Yantai Hospital	77,577	83,650
▶ Jiangsu Hospital	19,702	—
▶ Chongqing Hospital	9,793	3,758
	<u>107,072</u>	<u>87,408</u>
Procurement of medical equipment		
▶ Zhejiang Zhenyuan Medical Co., Ltd.	17,825	—
▶ Daxin Medical Equipment Co., Ltd.	3,026	8,125
	<u>20,851</u>	<u>8,125</u>

(b) Loans to related parties

	Six months ended June 30,	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Loan to Dongyang Guangfu Hospital		
Balance period	—	3,000
Interest accrued	—	73
Interest received	—	(73)
	<u>—</u>	<u>3,000</u>
End period	<u>—</u>	<u>3,000</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

(c) Key management compensation

Key management personnel include directors and senior management. The compensation paid to key management personnel for the six months ended June 30, 2019 and 2018 is as follows:

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Wages, salaries and bonuses	7,616	12,365
Share-based compensation expense	–	24,229
Other	192	354
	<u>7,808</u>	<u>36,948</u>

27 EVENTS AFTER THE REPORTING PERIOD

On July 24, 2019, a share repurchase agreement was entered into between the Company and Jinhua Hospital. Pursuant to the agreement, the Company has conditional authority to repurchase PRC ordinary shares of Jinhua Hospital for a term of 36 months from the date of the agreement. The maximum amount of the repurchase is RMB80,000,000, and the annual repurchase rate is 5.23%, which will be adjusted based on the applicable benchmark repurchase rate announced by the People's Bank of China from time to time. Jinhua Hospital will repurchase the shares in accordance with the repurchase plan for 36 months from the date of the agreement, and the accrued interest will be repaid at the same time.

Jinhua Hospital (a creditor) has provided a guarantee for the accrued interest receivable from the medical services provided by the Company (a creditor) to Jinhua Hospital. Pursuant to the repurchase agreement, the accrued interest will be repaid to the Company.