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CONTENTS

2	CORPORATE INFORMATION
4	FINANCIAL HIGHLIGHTS
6	MANAGEMENT DISCUSSION AND ANALYSIS
19	CORPORATE GOVERNANCE AND OTHER INFORMATION
29	REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
30	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31	INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
33	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
35	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
36	NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Si c E cran e H . n K . n L m i e d
(i r e , S t o c k E x c h a n g e)
S i c C o d e : 3 8 6 9

HEAD OFFICE IN THE PEOPLES REPUBLIC OF CHINA

H P i a C P r a i . n C r . a L m i e d (i r e , C o m p a n y ,
i . e . i r e i n l i m i t e d r e s p o n s i b i l i t y G r o u p)
1 6 0 2 , T e r B , J . r Q u i n t a i . n a B u d i n
N . 6 , Z r c r . R a d , H a d a n D i r c i , B e . n
T r e P e ' R e p u b c C r . a

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 Sieer & 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/(loss) ⁽²⁾	94,925	(36,176)
Basic earnings/(loss) per share in RMB	0.594	(0.280)

Note:

- (1) 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 financial derivative gains/losses, amounted to RMB84.4 million.
- (2) 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 items, 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 Kingdao Investment Co., Ltd. (Kingdao) Medbio Company (RMB), and the share-based award of RMB21.0 million arising from Kingdao Investment Co., Ltd. (Kingdao) Medbio Company (RMB); (iii) financial derivative gains/losses of RMB15.3 million; and (iv) the share-based award of RMB1.7 million arising from the Kingdao Investment Co., Ltd. (Kingdao) Medbio Company (RMB). For calculation of Adjusted Net Profit, the share-based award items are not considered.
- (3) 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 financial derivative gains/losses of RMB6.1 million. The Adjusted Net Profit for the Reporting Period, excluding the impact of the share-based award and other employee benefits expense and financial derivative gains/losses, for the Reporting Period of Previous Year are as follows, in which the Group did not have any share-based award items for the Reporting 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%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

In June 2019, the Group's operations were affected by the outbreak of COVID-19 in the People's Republic of China, which led to the implementation of various prevention and control measures. The Group has established a special working group to coordinate the response to COVID-19 and has implemented various measures to ensure the safety of its employees and patients. The Group has also actively participated in the medical relief work for COVID-19 patients, providing medical services and supplies to various hospitals and medical institutions. The Group's operations have resumed normally since the end of the epidemic, and the Group's financial and operating performance has returned to its pre-epidemic level. The Group's operations are expected to remain stable in the future.

The Group's operations are expected to remain stable in the future. The Group will continue to focus on its core business of providing medical services and supplies to various hospitals and medical institutions. The Group will also actively participate in the medical relief work for COVID-19 patients and other public health events. The Group's operations are expected to remain stable in the future.

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 has improved. The Group continued to optimize 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 has improved. The Group continued to optimize the merger and acquisition system and conserving efforts for expansion through mergers and acquisitions.

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 has improved. The Group continued to optimize 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 has improved. The Group continued to optimize the merger and acquisition system and conserving efforts for expansion through mergers and acquisitions.

At present, the business performance is stable, and the business performance has improved. The Group continued to improve the management system and the operation of the business, and the business performance has improved. The Group continued to optimize the merger and acquisition system and conserving efforts for expansion through mergers and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued improving the operation system and enhancing the value of hospitals

The Group carried out the raised measure for the Hospital Group (hereinafter, Group Hospitals) through the introduction and implementation, reinforcement of the management system of the Hospital Group. The measure is a systematic one, and the implementation of the Hospital Group has a positive impact on the operation of the Hospital Group, and has a positive impact on the Hospital Group. The measure is a systematic one, and the implementation of the Hospital Group has a positive impact on the operation of the Hospital Group.

During the Reporting Period, the Group continued to improve the management of the Hospital Group, and the management of the Hospital Group has a positive impact on the operation of the Hospital Group. The measure is a systematic one, and the implementation of the Hospital Group has a positive impact on the operation of the Hospital Group.

During the Reporting Period, the Group continued to improve the management of the Hospital Group, and the management of the Hospital Group has a positive impact on the operation of the Hospital Group. The measure is a systematic one, and the implementation of the Hospital Group has a positive impact on the operation of the Hospital Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to create and manage emerging risks in Practice, enhance our Performance, and ensure the business is well positioned for the future.

- (1) The Group continues to invest in the Group's core and emerging markets, and to expand its presence in the Asia-Pacific region, with a focus on the United States, Europe, and the Asia-Pacific region. The Group's investment strategy is to acquire and develop high-quality assets in the United States, Europe, and the Asia-Pacific region, and to expand its presence in the United States, Europe, and the Asia-Pacific region.
- (2) The Group continues to invest in the Group's core and emerging markets, and to expand its presence in the Asia-Pacific region, with a focus on the United States, Europe, and the Asia-Pacific region. The Group's investment strategy is to acquire and develop high-quality assets in the United States, Europe, and the Asia-Pacific region, and to expand its presence in the United States, Europe, and the Asia-Pacific region.
- (3) The Group continues to invest in the Group's core and emerging markets, and to expand its presence in the Asia-Pacific region, with a focus on the United States, Europe, and the Asia-Pacific region. The Group's investment strategy is to acquire and develop high-quality assets in the United States, Europe, and the Asia-Pacific region, and to expand its presence in the United States, Europe, and the Asia-Pacific region.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Our Adjusted Group Profit is RMB102.6 million in the Reporting Period, compared to RMB100.5 million in the corresponding period of the prior year, representing an increase of approximately 2.1%. This increase is primarily due to the increase in the sales volume of our core products, as well as the increase in the sales volume of our other products. The increase in sales volume is primarily due to the increase in the sales volume of our core products, as well as the increase in the sales volume of our other products.

We recorded an increase of approximately RMB112.3 million in the Reporting Period compared to RMB118.5 million in the corresponding period of the prior year, representing an increase of approximately 5.2%. This increase is primarily due to the increase in the sales volume of our core products, as well as the increase in the sales volume of our other products. The increase in sales volume is primarily due to the increase in the sales volume of our core products, as well as the increase in the sales volume of our other products.

We recorded adjusted administrative expenses of RMB32.0 million in the Reporting Period, compared to RMB31.5 million in the corresponding period of the prior year, representing an increase of approximately 1.6%. This increase is primarily due to the increase in the sales volume of our core products, as well as the increase in the sales volume of our other products. The increase in sales volume is primarily due to the increase in the sales volume of our core products, as well as the increase in the sales volume of our other products.

We recorded adjusted financial expenses (net) of RMB1.9 million in the Reporting Period, compared to RMB2.1 million in the corresponding period of the prior year, representing a decrease of approximately 10.5%. This decrease is primarily due to the decrease in the sales volume of our core products, as well as the decrease in the sales volume of our other products. The decrease in sales volume is primarily due to the decrease in the sales volume of our core products, as well as the decrease in the sales volume of our other products.

In the Reporting Period, we recorded an Adjusted Net Profit of RMB52.8 million, representing a decrease of approximately 4.3% compared to RMB55.2 million in the corresponding period of the prior year (adjusted for the impact of the change in the accounting policy for the recognition of the fair value of financial assets and liabilities). This decrease is primarily due to the decrease in the sales volume of our core products, as well as the decrease in the sales volume of our other products. The decrease in sales volume is primarily due to the decrease in the sales volume of our core products, as well as the decrease in the sales volume of our other products.

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 assets 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 assets 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 prepaids and an increase in our cash balances. We also received HKD800 million from the issuance of bonds in February 27, 2019. Our current liabilities 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, we raised a main bank loan of RMB100 million. As at June 30, 2019, our total cash and cash equivalents were RMB881.4 million (as at December 31, 2018: RMB195.5 million). As at June 30, 2019, our total bank borrowings were RMB261.6 million (as at December 31, 2018: RMB263.6 million), including RMB210 million of short-term borrowings and RMB51.6 million of long-term borrowings. The table below sets forth the main bank borrowings as at the reporting 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 was 14.78%. Our directors believe that, after taking into account the increase in assets and liabilities, the increase in cash and cash equivalents and the increase in prepaids and cash balances, the Company's financial position is stable. As at June 30, 2019, the Group did not have any major contingent liabilities or guarantees.

EVENTS AFTER THE REPORTING PERIOD

Mr. We Ka (gñ) rad re .red a ire.r.r-e ecUie Dreci r ire C mPar and a member ire audi
c mmitee ire C mPar (ire, Audit Committee) due i irer r c mmimeti 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 Hong Kong Capital Fund VIII (Cambria), L.P. (the, Vendor) entered into a Share Purchase Agreement (the, Share Purchase Agreement) relating to the sale and purchase of the shares of the Company, a company incorporated in the British Virgin Islands, limited liability company, in consideration of RMB630,000,000 (equivalent to approximately HK\$773,879,717).

Orencia A is a wholly owned subsidiary of the Company, and director of 100% of the shares of Impeccable Success Limited (Impeccable Success), and director of 75% of the shares of Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd. (Zhejiang Honghe Zhiyuan) (collectively referred to as the, Target Group). The Target Group's principal place of business is in the People's Republic of China.

On August 17, 2018, the acquisition of the Company director of 100% of the shares of Orencia A and Orencia A became a subsidiary of the Company. The shares of Orencia A, the Company director of 75% of the shares of Zhejiang Honghe Zhiyuan and the remaining 25% of the shares of Zhejiang Honghe Zhiyuan (Shanghai) Co., Ltd. are recorded as intangible assets.

The consideration payable to the Vendor of the shares of the Company is HK\$773,879,717 by the Company in the form of cash. On August 17, 2018, the consideration of HK\$1.00 each share of the Company is transferred, exchanged, and issued to the Vendor in the form of cash. The consideration of HK\$1.00 each share of the Company is transferred, exchanged, and issued to the Vendor in the form of cash. The consideration of HK\$20.00 per share of the Company is transferred, exchanged, and issued to the Vendor in the form of cash (the, Cash Consideration 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 subscription agreement (the, Leap Whale Convertible Bonds) relating to the sale and purchase of the shares of the Company, a company incorporated in the British Virgin Islands, limited liability company, in consideration of US\$800,000,000 (equivalent to approximately HK\$800,000,000) of the shares of the Company. On February 27, 2019, the Leap Whale Convertible Bonds were issued to the Subscriber in the form of cash. The Leap Whale Convertible Bonds may be exercised by the Subscriber in the form of cash (the, Cash Consideration Price) of HK\$20.00 per share of the Company (the, Cash Consideration Price). Upon maturity, the Company may redeem the Leap Whale Convertible Bonds in the form of cash (the, Cash Consideration Price) of 6%.

MANAGEMENT DISCUSSION AND ANALYSIS

The market price of the shares of the Company on January 16, 2019, being the date of the end of the term of the variance, is described below and is HK\$16.18.

The Unutilized Proceeds of approximately HK\$800 million as at June 30, 2019 are expected to be applied according to the use of proceeds as stated in the circular of the Company dated January 16, 2019. The Company's Unutilized Proceeds are primarily for the purchase of shares of the Group and additional investments. In addition, the Board has also approved the Company's plan to be applied to the proceeds in the future. The Unutilized Proceeds as at June 30, 2019 are as follows:

	Percentage to the total amount	Net Proceeds HK\$ million	Utilized Amount HK\$ million	Unutilized Amount HK\$ million
Acquisition of shares of the Group	100%	800	Nil	800
Total	100%	800	Nil	800

As at June 30, 2019, the Company's share of the Company has been converted into shares of the Company. The Company's share of the Company has been converted into shares of the Company as at December 21, 2018, January 16, 2019 and February 27, 2019 respectively.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's operations are primarily conducted in the PRC and the Group's revenue is primarily derived from the PRC. The Group's revenue is primarily derived from the PRC and the Group's revenue is primarily derived from the PRC.

The Group's main operating currency is the PRC renminbi (RMB). The Group's revenue is primarily derived from the PRC and the Group's revenue is primarily derived from the PRC.

As at June 30, 2019, the Group's revenue is primarily derived from the PRC and the Group's revenue is primarily derived from the PRC.

The Group's revenue is primarily derived from the PRC and the Group's revenue is primarily derived from the PRC.

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 condensed consolidated financial statements.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Schedule 13.1 of the Form 20-F, filed with the SEC on June 30, 2019, the Group did not have any

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 of the Company and the interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation (in this meaning, Part XV of the Securities and Futures Ordinance (the SFO)) in connection with the Company and the Securities and Futures Ordinance (Part XV of the SFO) (including the interests in the shares of the Company or its associated corporation (the SFO), or the interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation (the SFO), or the interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation (the SFO), or the interests in the Shares, Underlying Shares and debentures of the Company or its associated corporation (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. Zeng Jinhuan	Interest in restricted shares	161,693,985 ⁽¹⁾	117.01%
	Deemed interest ⁽²⁾	2,500,000 ⁽²⁾	1.81%
Mr. Liu Lu	Interest in restricted shares	9,098,800 ⁽³⁾	6.58%

Note:

- (1) This includes the Shares held by Mr. Zeng Jinhuan in the capacity of a shareholder of the Company, which are valued at 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 members of the board, under the relevant and applicable provisions of the Company's articles of association (including means of Part XV of the SFO) and are also deemed to be independent members of the board of independent non-executive directors of the Company and the Sole Executive Director 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 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 Company, Ltd. (安徽中安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 Hong Kong 2008 Management Limited) 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 shares of Midpoint Honour (Subscription Shares), representing 3% of the Company's issued and outstanding 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 provided for the issuance of 300 million shares. On March 16, 2017, the remaining 286 million shares were distributed at a price of HK\$0.001 each upon the completion of the

Pursuant to the Share Subscription Agreement and the Amended Agreement, Midpoint Honour subscribed to the Company's shares of the Company, representing the Management Subscribers' share of the Company's shares, in accordance with the Share Subscription Agreement. Pursuant to the Put Back Consideration, a share repurchase agreement was entered into between the Company and the Group to receive the Management Subscribers' shares of the Company and the Group received the Management Subscribers' shares of the Company. The Company issued 12 million (First Batch Share Options) and 24 million (Second Batch Share Options) shares of the Company. The exercise price of the shares was determined by the Board of Directors. The shares were considered as unlisted shares 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 Subscribers, Mr. Zhan Xaoping, resigned and the Company issued shares of the Company to him. The shares were attributable to him as unlisted shares of the Company.

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. The Company has also issued a total of 1,000,000 shares under the Share Option Scheme.

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 employees of the Company (the Pre-IPO SARs Grantees).

Under the Pre-IPO SARs Scheme, the Company granted 2,500,000 shares to the Pre-IPO SAR Grantees. The Pre-IPO SARs Scheme was approved by the shareholders of the Company on June 30, 2016.

Under the Pre-IPO SARs Scheme, from March 15, 2018, the Company granted 25% of the shares to the Pre-IPO SAR Grantees. On March 23, 2018, the Pre-IPO SAR Grantee, Mr. Zhan Xiaoping, exercised and the remaining 75% of the shares were granted to the Pre-IPO SAR Grantees.

In January 2019, the Pre-IPO SAR Grantee exercised 25% of the shares to the Pre-IPO SAR Grantees.

On March 15, 2019, the Board of Directors of the Company approved the Pre-IPO SARs Scheme. On March 31, 2019, the Pre-IPO SAR Grantee exercised and the remaining 50% of the shares were granted to the Pre-IPO SAR Grantees.

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 Contract is between New Pride Holding Limited (New Pride) and Mr. Lu Wenzuo (referred to as "Mr. Lu Wenzuo"), New Pride's director, entered into with Mr. Lu Wenzuo, recorded in Weikang Investment Management Co., Ltd. (Weikang Investment) and New Pride's financial statements for the period ended December 31, 2017:

- (a) Certain share awards (i.e., Share Awards) include 1% of the shares in each Weikang Investment and Tbeida Honghe Ruixin Biotechnology Co., Ltd. (Honghe Ruixin) received in the period ended December 31, 2017 from New Pride and Tbeida Honghe Zhiyuan Biotechnology Co., Ltd. (Honghe Zhiyuan) received as a performance-based award of 1% of the shares in each Weikang Investment and Honghe Ruixin received in the period ended December 31, 2017 and our Share Awards are held by New Pride and Mr. Lu Wenzuo; and
- (b) Share appreciation rights (Mr. Lu's SARs) received as a performance-based award of 1% of the shares in Weikang Investment and Honghe Ruixin. Mr. Lu's SARs are held by New Pride and Mr. Lu Wenzuo.

On March 30, 2018, our Variable Interest Contract with Mr. Lu Wenzuo in New Pride, Mr. Lu Wenzuo confirmed that he will exercise his Share Awards and receive the shares in each of our Variable Interest Contracts, in an amount of the debt component of the Share Awards amounting to RMB40,500,000 as recorded in our financial statements for the period ended March 31, 2018.

On January 25, 2019, Mr. Lu Wenzuo submitted an application to New Pride to exercise Mr. Lu's SARs. As of June 30, 2019, the performance-based award is made.

The performance-based component of Mr. Lu's SARs of RMB277,000 is derecognized as a liability expense.

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 and be forfeited.

On April 13, 2018, another member of the Share Incentive Grantee entered into a term loan agreement with the Company. As a result, the Company, 25% of the shares granted to the member would be reacquired by the Company and the remaining 75% would be forfeited.

(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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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. 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 formal notice would be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code of provisions on 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 provisions on 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 code of conduct on insider transactions (the Company's Insider Dealing Code) in line with the applicable code of provisions on the Model Code for Securities Dealing Code) in the interim report. The Board has reviewed the Insider Dealing Code and has made necessary amendments to the Company's Insider Dealing Code in line 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 Director, 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 of the Group, 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") Listing Rules, the Listing Rules of the Exchange of Hong Kong Limited (the "Exchange") and the Interim Financial Reporting 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 the Interim Financial Reporting Standard 34 "Interim Financial Reporting". Our responsibility is to express an opinion on the interim financial information based on the review we conducted in accordance with the applicable standards. We do not provide any assurance on the interim financial information.

SCOPE OF REVIEW

We conducted the review in accordance with the Interim Financial Reporting Standard for 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 of interim financial information is not a full audit and is conducted in accordance with the Interim Financial Reporting Standard for Auditing and does not provide the same level of assurance that would be obtained in an audit. The results of the review may not be relied upon for the purpose of the preparation of the interim financial information.

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 28, 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 income taxes	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			
Bank loans	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
Bank loans	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
	Share-based payments - rare								
18	Share-based payments - rare	—	—	—	311	—	311	—	311
	Share-based payments - rare								
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 Share RMB'000	Share Premium RMB'000	Reserve (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 - restricted share-based payments	18			2,687		2,687		2,687
Share-based payments - restricted 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 condensed 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 borrowings	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 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) (Code: 600222, established on March 31, 1996) and the Shenzhen Stock Exchange (SZSE) (Code: 002030, established on December 1, 2009). The registered office of the Company is located at Room 309, United Hotel, Grand Canal, KY1-1104, Canton, China.

The Company, 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 (the 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 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 in 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 standards applicable.

(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 prescribed therein applicable 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 the 2018 reporting period are presented under the previous accounting standard. The reconciliation of the carrying amounts of lease liabilities as at January 1, 2019, are presented in the following table.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but the comparative figures for the 2018 reporting period are presented under the previous accounting standard. The reconciliation of the carrying amounts of lease liabilities as at January 1, 2019, are presented in the following table.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to lease contracts that were previously classified as operating leases under the previous IAS 17 Lease. The lease liabilities were 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 as at January 1, 2019 is 4.90%.

	2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	1,612
Discounted lease payments at the reporting date	1,485
(Lease): short-term lease recognised in the reporting period	(602)
(Lease): lease term less than 12 months recognised in the reporting period	(8)
	<u>875</u>
Lease liability recognised as at January 1, 2019	<u>875</u>
Operating lease:	
Current lease liability	277
Non-current lease liability	598
	<u>875</u>

The above table shows the reconciliation of the carrying amounts of lease liabilities as at January 1, 2019. The reconciliation is presented in the following table. The reconciliation of the carrying amounts of lease liabilities as at January 1, 2019, are presented in the following table.

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 for January 1, 2019:

(i) Impact on earnings per share

Segment earnings per share for June 2019 increased as a result of the change in accrued liabilities, while EBITDA decreased accordingly. Lease liabilities are included in earnings per share. The change in earnings per share is 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 a result of the adoption of IFRS 16.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES

(a) Adjustments recognised on adoption of IFRS 16

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

The Group has elected not to reassess whether any existing contracts are or contain leases. The Group has also elected not to apply the recognition requirements to contracts that do not contain leases at the reporting date.

The Group has elected to apply the short-term lease exemption for all leases with a term of 12 months or less at the reporting date.

The Group has elected to apply the practical expedient to use hindsight to determine whether a contract contains a lease at the reporting date.

The Group has elected not to determine whether a contract contains a lease at the reporting date if the contract is a contract for the purchase of an asset.

The Group has also elected not to reassess whether any existing contracts are or contain leases, and not to reassess whether any existing contracts are or contain leases at the reporting date. In addition, the Group has elected not to reassess whether any existing contracts are or contain leases at the reporting date. The Group has also elected not to reassess whether any existing contracts are or contain leases at the reporting date.

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

The Group has elected to apply the practical expedient to use hindsight to determine whether a contract contains a lease at the reporting date. The Group has also elected to apply the practical expedient to use hindsight to determine whether a contract contains a lease at the reporting date.

On 1 January 2018, the Group has elected to apply the practical expedient to use hindsight to determine whether a contract contains a lease at the reporting date. The Group has also elected to apply the practical expedient to use hindsight to determine whether a contract contains a lease at the reporting date.

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 adopted the new lease accounting standard. The Group has identified all contracts that contain a lease. Each contract is classified as a lease if it meets the definition of a lease. The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur. The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur. The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur.

The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur. The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur.

The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur. The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur.

The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur. The Group has determined that the lease term is the non-cancellable period, including any periods covered by an option to extend the lease if the exercise of that option is reasonably certain to occur.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 ESTIMATES

The preparation of interim financial statements requires the use of estimates, which may affect the reported amounts of assets and liabilities, income and expenses, and the carrying amounts of assets and liabilities. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the Group has made certain estimates and assumptions. The Group's management believes that these estimates and assumptions are reasonable as of December 31, 2018.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities are primarily related to the provision of financial services (including credit and investment services), credit and investment services.

The interim condensed consolidated financial statements include a number of financial instruments, and the Group's financial instruments at December 31, 2018.

There has been no change in the financial risk management policies during the period.

5.2 Liquidity risk

Compared to the 2018 year-end, the Group has issued additional structured deposits of HKD800,000,000, which are primarily used for the provision of financial services. The Group's management believes that the Group's liquidity risk is well managed. The Group's management believes that the Group's liquidity risk is well managed. The Group's management believes that the Group's liquidity risk is well managed. The Group's management believes that the Group's liquidity risk is well managed.

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 and 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 a valuation technique (such as the Black-Scholes model) based on market data and reliable information - Parameters - Peculiarities. Financial instruments are included in Level 2.

Level 3: Instruments that are not publicly traded or based on observable market data, financial instruments included in Level 3. They are categorized as Level 3.

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 a value*

Specifically, value in equity includes:

Trade receivables, price of shares held in other companies, and

Financial assets and liabilities, and other financial instruments.

(ii) *Financial assets and liabilities measured at fair value*

Trade receivables, pre-emption rights, and other financial instruments are measured at fair value as at June 30, 2019.

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
	<hr/>
Closing balance as at June 30, 2019	<u>183,033</u>

* Include unrealized gain recognized in other comprehensive income attributable to the shareholders of the Company

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 therein RMB'000	Contribute board (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 prior attributable balance red istributed in reporting period		<u>41,031</u>	<u>41,031</u>

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.3 Fair value estimation

(i) Fair value measurement

(a) Cash and cash equivalents

On October 27, 2017, NetPrde Holding Limited ("NetPrde") entered into a purchase agreement with Jarde Health Enterprise Management Co., Ltd. ("Jarde Health") in which Jarde Health transferred to NetPrde its 83% equity interest in Jarde Health Enterprise Management Co., Ltd. ("Jarde Health") in exchange for cash. Jarde Health is a company incorporated in the PRC and is controlled by Mr. Han Jian, a director of NetPrde. The purchase price was determined in accordance with an independent valuation report issued by an independent valuation firm on December 31, 2016, and the purchase price was paid in full by NetPrde on December 31, 2017. Jarde Health is a company incorporated in the PRC and is controlled by Mr. Han Jian, a director of NetPrde. The purchase price was determined in accordance with an independent valuation report issued by an independent valuation firm on December 31, 2016, and the purchase price was paid in full by NetPrde on December 31, 2017.

The directors of the Company are satisfied with the fair value measurement of the cash and cash equivalents as at December 31, 2019.

(b) Goodwill

Management has determined that the fair value of the goodwill as at December 31, 2019 is determined based on the fair value of the net assets of the Company as at December 31, 2019, less the fair value of the identifiable intangible assets and other liabilities of the Company as at December 31, 2019.

The directors of the Company are satisfied with the fair value measurement of the goodwill as at December 31, 2019.

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 the market price in an active market, or the price received for an asset or liability in an orderly liquidation sale, or the fair value determined by reference to the fair value of a similar instrument.

Trade receivable

Contractual liability

Other receivable, deposits and prepayments

Amortised due from related parties

Carrying amount

Trade payable

Contractual liability

Accrued interest payable and provisions (excluding contractual liability)

Amortised due to related parties

Balance

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 nieri s red b We an Ine imeriard 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 reemeriar d b H nre RU n ard Yan H Pia n JanVar 1, 2016 ard ire an nVa n Pia mara emeri a reemeriar d b We an Ine imeriard H nre RU n n Yan H Pia n JanVar 1, 2019 ard 2018, We an Ine imeriard H nre RU n ra Pr ded mara emeriard c n Uiaro er ce i Yan H Pia n a Per d 50 ear n m 2016 i 2065 ard ire mara emeri ee be ca cu aied ba ed n Pre- ei rmVa ei U nre an nVa n Pia mara emeri a reemeriar d n .

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

On Mar 26, 2018, C H nre entered nra a e- ear n Pia mara emeri a reemeriar d n C H Pia c . er n ire Per d n m 2018 i 2022. Pur Varii ire n Pia mara emeri a reemeriar d, C H nre car der e mara emeri ee ba ed nre Pre- ei rmVa ei U nre e- ear n Pia mara emeri a reemeriar d.

Zre an H nre Zr Var, a Ub dar Orenia A H d n L mied ("Orenia A"), entered nra a 50- ear n Pia mara emeri eier nieri n Zre an J n nVa G Van U Orc ca H Pia (J n nVa H Pia), c . er n ire Per d n m JanVar 1, 2017 i December 31, 2066. Pur Varii ire J n nVa H Pia eier nieri, Zre an H nre Zr Var ra a reed i Pr de c n Uiaro 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 ia ed er ce c nieriard Pr c n are c r c Uded ard e eci e nra e Parate 3- ear n Pia mara emeri a reemeriar d n cr a s 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 n m JanVar 1, 2017 i JanVar 1, 2020. Pur Varii ire 3- ear n Pia mara emeri a reemeriar d, ire mara emeri ee ra beer ca cu aied ba ed nre Pre- ei rmVa .

(c) Wholesale of pharmaceutical products

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

(d) Unallocated

Tre 'Ura caied' caie r mara re Pre eri ire read Varier nra ca n rmai 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 recorded						
▶ Hospital medicine	46,419	–	2,049	–	–	48,468
▶ Other medicine	<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 support the construction of the Shanghai Pudong New Area People's Government Shanghai Tenth Branch Sanatorium. The grant is a non-recurring income and is recorded in the Other Income in the interim financial statements 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 deposits in regulated financial institutions	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 RMB' 000	Contractual rights to provide management services RMB' 000	Licenses RMB' 000	Software RMB' 000	Sub-total RMB' 000	Land use right RMB' 000	Total 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
Additions	-	-	-	178	178	-	178
Amortisation	-	(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
Additions	-	-	-	1,400	1,400	-	1,400
Balance carried over	475,467	322,900	186,900	92	985,359	40,430	1,025,789
Amortisation	-	(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 necessary, 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 receivable 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>

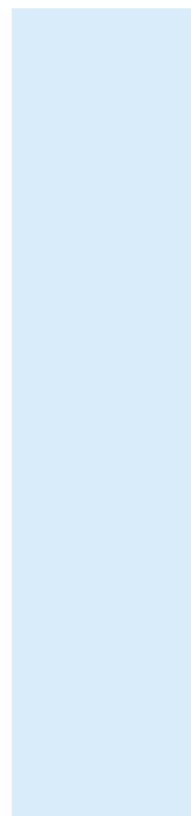
19 TRADE PAYABLES

As at June 30, 2019, based on the due date, trade payables are analysed 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 trade payables 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	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 of differences between carrying amount and fair value arising from:				
- fair value adjustments	(642)	636	–	(6)
- reclassification of interest expense	(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 exchange rate.

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 HKD672,011,000, net of issuance costs of HKD11,000,000, and a carrying amount of HKD661,011,000 at the end of the reporting period.

At the end of the reporting period, the carrying amount of the convertible bonds is HKD672,011,000, net of issuance costs of RMB591,932,000, and is determined based on the fair value.

(iii) Convertible bonds issued on February 27, 2019

On February 27, 2019, the Company issued convertible bonds with a face value of HKD800,000,000 (equivalent to RMB681,160,000) and a carrying amount of HKD800,000,000 at the end of the reporting period. The convertible bonds are convertible into ordinary shares of the Company at a conversion price of HKD20.00 per share (equivalent to RMB17.00 per share). Upon maturity, the Company can redeem the convertible bonds in full or partially at its discretion. The convertible bonds bear an interest rate of 6% per annum.

The convertible bonds are denominated in Hong Kong dollars. The face value of the convertible bonds is HKD800,140,300, net of issuance costs of HKD14,000,000, and is determined based on the fair value.

The carrying amount of the convertible bonds is determined based on the fair value. The carrying amount of the convertible bonds is HKD800,140,300, net of issuance costs of RMB722,233,000, and is determined based on the fair value.

On February 27, 2019, the Company issued convertible bonds with a face value of HKD821,036,000, net of issuance costs of HKD14,000,000, and a carrying amount of HKD807,036,000 at the end of the reporting period.

At the end of the reporting period, the carrying amount of the convertible bonds is HKD821,036,000, net of issuance costs of RMB722,233,000, and is determined based on the fair value.

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 in 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 in 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 related to the Group's directors, senior management, or key personnel. Parties are also considered to be related if they are related to the Group's directors, senior management, or key personnel. Parties are also considered to be related if they are related to the Group's directors, senior management, or key personnel. Parties are also considered to be related if they are related to the Group's directors, senior management, or key personnel.

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

Name	Relationship with the Group
Yan H Pia	Certain employee and director of the Group are Yan H Pia's daughter-in-law and member
C H Pia	Certain employee and director of the Group are C H Pia's daughter-in-law and member
Jin Hua H Pia	Certain employee and director of the Group are Jin Hua H Pia's daughter-in-law and member
Din An Guan H Pia	Certain employee and director of the Group are Din An Guan H Pia's daughter-in-law and member
Yin An H Pia	Certain employee and director of the Group are Yin An H Pia's daughter-in-law and member
Van Ward Group Limited	Parent company
Grand Rich Holdings Limited	Related party controlled by the former CEO during 2018
Medicine Hospital Limited	Related party controlled by the former member
Har Pre Inc Limited	Related party Parent company
Zrean Xinan Inc (Merit C), Ltd.	Related party controlled by Mr. Han Jianjun
Da a Medica Equipment C, Ltd.	Related party controlled by Mr. Han Jianjun
Da a Group C, Ltd.	Related party controlled by Mr. Han Jianjun
Zrean Zrean Medicine C, Ltd.	Related party controlled by a former member Mr. Han Jianjun
Hua Capia Fund VIII (Camara), L.P.	Managed by Hua Capia Fund VIII GP (Camara) Limited, controlled by 49% by Mr. Zrean Jin Hua

The transactions carried out between the Group and its related parties are disclosed in the interim financial statements for the period ended June 30, 2019 and 2018. In the interim financial statements, the related party transactions are carried out in the normal course of business and are disclosed between the Group and its 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 medicine from Meridian Pharmaceuticals		
▶ Zhejiang Zhenyu Medicine Co., Ltd.	17,825	▶
▶ Daxia 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 at period end	–	3,000
Increase	–	73
Decrease	–	(73)
	<u>–</u>	<u>3,000</u>
Balance at period end	–	3,000

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 loan agreement was entered into between the Company and Jinhua Huiya. The loan agreement provides for a loan of RMB80,000,000, and the annual interest rate is 5.23%, which is to be adjusted based on the applicable benchmark interest rate announced by the People's Bank of China from time to time. Jinhua Huiya repaid the loan in full on August 1, 2019. The loan is recorded as a liability on the balance sheet, and the accrued interest is recorded as a liability on the balance sheet.

Jinhua Huiya (a creditor) has provided a guarantee for the accrued interest receivable from the medical services provided by the Company (a creditor) to Jinhua Huiya. The loan repaid by the Company is recorded as a liability on the balance sheet.