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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

M. S. Zhijiang (蘇志強)

M. L. We (陸文佐)

PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG

Suite 10, 70/F

Tele Asia Finance Centre

No. 8 Finance Street

Central

## FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	180,679	208,531
- Home appliances	100,988	108,181
- Consumer electronics	79,568	98,301
- White appliances	123	2,049
Adjusted gross profit <sup>(1)</sup>	96,376	102,616
Adjusted operating profit <sup>(2)(3)</sup>	56,474	52,767
Adjusted gross profit margin	53.3%	49.2%
Adjusted operating profit margin <sup>(3)</sup>	31.3%	25.3%
<b>Adjusted items</b>		
Effect of exchange rate changes	2,424	2,923
Available for sale financial assets <sup>(2)(i)(iii)</sup>	15,250	15,250
Gain on disposal of subsidiaries <sup>(2)(ii)</sup>	16,894	62,029
Loss on disposal of subsidiaries <sup>(2)(i)</sup>	4,751	1,698
Other non-recurring items <sup>(2)(4)</sup>	617,935	

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	180,679	208,531
Gross profit <sup>(1)</sup>	80,702	84,443
Net income <sup>(2)(4)</sup>	(566,992)	94,925
Basic earnings per share (RMB)	(3.874)	0.594

Notes:

- (1) The gross profit for the period ended June 30, 2020 (the "Reporting Period") amounted to RMB80.7 million. Adjusted gross profit for the Reporting Period, excluding the effect of the fair value adjustments of the investment property, amounted to RMB80.7 million.
- (2) The Gross Profit for the Reporting Period was RMB567.0 million. The adjusted net profit (the "Adjusted Net Profit") was RMB567.0 million.



Facing the restrictions brought about by the pandemic, the Group actively examined potential projects and promoted emerging businesses such as Internet healthcare

In the first half of the year, due to the impact of the epidemic, the Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare. The Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare. The Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare.

The Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare. The Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare. The Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare.

As a result, the Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare. The Group has actively examined potential projects and promoted emerging businesses such as Internet healthcare.



Facing the impact of the pandemic, the Group continued to strengthen operations to create value

The Group adopted effective measures to reduce the impact of the COVID-19 pandemic on operations, including strengthening risk management, improving operational efficiency, and accelerating the implementation of strategic projects. The Group also continued to invest in research and development to enhance its core competitiveness.

In the first half of the year, facing the epidemic of COVID-19, the Group adopted effective measures to reduce the impact of the pandemic on operations, including strengthening risk management, improving operational efficiency, and accelerating the implementation of strategic projects. The Group also continued to invest in research and development to enhance its core competitiveness. (1) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (2) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (3) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (4) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (5) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (6) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (7) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (8) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects. (9) Strengthened risk management, improved operational efficiency, and accelerated the implementation of strategic projects.

In the first half of the year, in response to the impact of COVID-19, the Group adopted effective measures to reduce the impact of the pandemic on operations, including strengthening risk management, improving operational efficiency, and accelerating the implementation of strategic projects. The Group also continued to invest in research and development to enhance its core competitiveness. Affected by the epidemic, the Group's operating income decreased by 1,048,985 million yuan, a decrease of 20% compared with the same period of the previous year. The Group's operating profit decreased by 1,311,487 million yuan, a decrease of 17% compared with the same period of the previous year. The Group's net profit decreased by 7,681 million yuan, a decrease of 11% compared with the same period of the previous year. The Group achieved a stable and healthy development in the first half of 2020, despite the impact of COVID-19, and maintained a good operating performance.

Untuk mendapatkan, kegiatan ini dilaksanakan dengan cara mengorganisir, mengatur, mengawasi, mengontrol, dan mengevaluasi (收到、管好、上量); dan secara efektif dan efisien. Tujuan utama adalah sebagai berikut:

- (1) Kegiatan yang dilaksanakan adalah sebagai berikut, agar kegiatan ini efektif dan efisien, cara ini (收到、管好、上量) agar kegiatan ini dilaksanakan dengan cara yang efektif, cara ini adalah dengan cara yang efektif, dan ini adalah cara yang efektif;
- (2) Kegiatan ini dilaksanakan dengan cara yang efektif, cara ini adalah dengan cara yang efektif, cara ini adalah dengan cara yang efektif, cara ini adalah dengan cara yang efektif, cara ini adalah dengan cara yang efektif;
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FINANCIAL REVIEW

Results of Operations

During the Reporting Period, revenue increased by RMB180.7 million, or 13.4% compared with RMB208.5 million for the Corresponding Period of the Previous Year, which mainly attributable to the increase in the income fees derived from Shanghai Yangsi Hospital\* (上海楊思醫院) (Yangsi Hospital) and Zhejiang Jinhua Guangfu Tumor Hospital\* (浙江金華廣福腫瘤醫院) (Jinhua Hospital) and the decrease in the income fees from Jiande Hospital\* (建德中醫院有限公司) (Jiande Hospital) in the period.

Operating expenses increased by RMB101.0 million, or 6.6% compared with RMB108.2 million for the Corresponding Period of the Previous Year. The decrease in the income fees derived from COVID-19 pandemic, which caused the decrease in the income fees derived from Shanghai Yangsi Hospital and Jiande Hospital.

During the Reporting Period, operating expenses decreased by 19.1% to RMB79.6 million from RMB98.3 million for the Corresponding Period of the Previous Year. The decrease in the operating expenses was mainly attributable to the decrease in the income fees from Jiande Hospital in the period, which was offset by the decrease in the operating expenses from Jiande Hospital for the Reporting Period affected by the COVID-19 pandemic.

Our adjusted profit of RMB96.4 million for the Reporting Period, decreased by 1.1% from RMB97.5 million for the corresponding period of the previous year, mainly due to the impact of COVID-19 epidemic, which caused a decrease in the average selling price of our products. The average selling price of our products for the Reporting Period was RMB102.6 million, a decrease of 6.1% from RMB109.1 million for the corresponding period of the previous year.

We recorded adjusted advertising expenses of RMB27.5 million for the Reporting Period, decreased by 14.1% from RMB32.0 million for the corresponding period of the previous year, mainly due to the decrease in advertising fees for the Reporting Period. The advertising fees for the Reporting Period were RMB27.5 million, a decrease of 14.1% from RMB32.0 million for the corresponding period of the previous year.

We recorded adjusted selling expenses of RMB68.3 million for the Reporting Period, a decrease of RMB4.4 million from RMB72.7 million for the corresponding period of the previous year. This is mainly due to the impact of COVID-19 epidemic, which caused a decrease in the average selling price of our products. The average selling price of our products for the Reporting Period was RMB102.6 million, a decrease of 6.1% from RMB109.1 million for the corresponding period of the previous year.

We recorded adjusted financial expenses (income) of RMB3.6 million for the Reporting Period, decreased by RMB0.5 million from RMB4.1 million for the corresponding period of the previous year, mainly due to the decrease in financial expenses (income) for the Reporting Period. The financial expenses (income) for the Reporting Period were RMB3.6 million, a decrease of RMB0.5 million from RMB4.1 million for the corresponding period of the previous year. The decrease in financial expenses (income) for the Reporting Period was mainly due to the decrease in the interest income on bank deposits. The interest income on bank deposits for the Reporting Period was RMB1.0 million, a decrease of RMB2.9 million from RMB3.9 million for the corresponding period of the previous year. The decrease in interest income on bank deposits was mainly due to the decrease in the average deposit balance. The average deposit balance for the Reporting Period was RMB6.7 million, a decrease of RMB2.7 million from RMB9.4 million for the corresponding period of the previous year.

For the Reporting Period, the recorded adjusted expense of RMB56.5 million, a decrease of 9.1% from RMB61.7 million for the corresponding period of the previous year (decreased by RMB1.0 million for the corresponding period of the previous year). With regard to the impact of COVID-19 epidemic, which caused a decrease in the average selling price of our products, the average selling price of our products for the Reporting Period was RMB102.6 million, a decrease of 6.1% from RMB109.1 million for the corresponding period of the previous year (which is mainly due to the decrease in the average selling price of our products). The average selling price of our products for the Reporting Period was RMB102.6 million, a decrease of 6.1% from RMB109.1 million for the corresponding period of the previous year. The decrease in the average selling price of our products was mainly due to the decrease in the average selling price of our products. The average selling price of our products for the Reporting Period was RMB102.6 million, a decrease of 6.1% from RMB109.1 million for the corresponding period of the previous year.

Liquidity and Capital Resources

As at June 30, 2020, the available cash and cash equivalents were RMB1,249.4 million (as at December 31, 2019: RMB1,817.8 million). As at June 30, 2020, the company had completed the sale of RMB1,339.1 million (as at December 31, 2019: RMB1,277.5 million) of available-for-sale financial assets of RMB925.9 million (as at December 31, 2019: RMB492.9 million). As at June 30, 2020, the company's current ratio was 1.45, higher than the 1.25 as at December 31, 2019.

Operating activities generated cash and cash equivalents of RMB61.6 million from operations of RMB1,277.5 million as at December 31, 2019 and RMB1,339.1 million as at June 30, 2020, in addition to the cash and cash equivalents received from the sale of available-for-sale financial assets of RMB433.0 million from RMB492.9 million as at December 31, 2019 and RMB925.9 million as at June 30, 2020, in addition to the net change in working capital of RMB1,249.4 million as at June 30, 2020 and RMB1,817.8 million as at December 31, 2019.

Operating activities generated cash and cash equivalents of RMB61.6 million from operations of RMB1,277.5 million as at December 31, 2019 and RMB1,339.1 million as at June 30, 2020, in addition to the cash and cash equivalents received from the sale of available-for-sale financial assets of RMB433.0 million from RMB492.9 million as at December 31, 2019 and RMB925.9 million as at June 30, 2020, in addition to the net change in working capital of RMB1,249.4 million as at June 30, 2020 and RMB1,817.8 million as at December 31, 2019.

	Bank borrowings	
	As at	As at
	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
Working capital	145,580	114,744
Bank borrowings	50,518	62,286
Bank borrowings	18,944	37,372
	<u>215,042</u>	<u>214,402</u>

As at June 30, 2020, the company's current ratio was 1.45, higher than the 1.25 as at December 31, 2019. As at June 30, 2020, the company had completed the sale of RMB1,339.1 million (as at December 31, 2019: RMB1,277.5 million) of available-for-sale financial assets of RMB925.9 million (as at December 31, 2019: RMB492.9 million). As at June 30, 2020, the company's current ratio was 1.45, higher than the 1.25 as at December 31, 2019.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are described in the Company's annual report for the year ended June 30, 2020 and the interim financial statements.

USE OF PROCEEDS FROM THE LISTING AND OTHER FUND RAISING ACTIVITIES

Use of proceeds from listing

The use of the proceeds raised from the Main Board of the Stock Exchange of Hong Kong on March 16, 2017 (the "Listing Date"). The proceeds received from the offering of the shares of the Company are intended to be used for the following purposes: HK\$465.6 million. The proceeds received from the offering of the shares of the Company are intended to be used for the purposes set out in the prospectus. A detailed description of the use of the proceeds is set out in the prospectus. As at the end of the reporting period, the use of the proceeds is as follows:

	Percentage to the total amount	Net Proceeds <i>HK\$ million</i>	Utilized Amount <i>HK\$ million</i>	Unutilized Amount <i>HK\$ million</i>	Expected time period
Strategic investments in China	50%	232.80	232.80	-	-
Financial investments					
- acquisition of equity interests (excluding financial investments)					
- purchase of medical equipment	11%	51.22	44.69	6.53	The balance is expected to be used by the end of 2021
- upgrade of medical facilities	7%	32.59	32.59	-	-
- acquisition of land, buildings, equipment, etc.					
- acquisition of land	6%	27.94	27.94	-	-
- acquisition of land	5%	23.28	20.36	2.92	The balance is expected to be used by the end of 2021
- acquisition of land	4%	18.62	12.35	6.27	The balance is expected to be used by the end of 2021
- acquisition of land	7%	32.59	27.22	5.37	The balance is expected to be used by the end of 2021
- acquisition of land	10%	46.56	46.56	-	-
	<u>100%</u>	<u>465.60</u>	<u>444.51</u>	<u>21.09</u>	

CONVERTIBLE BONDS

Vanguard Convertible Bonds

In the financial statements for the year ended 31 December 2018, the Company and Vanguard Glory Limited ("Vanguard Glory"), a wholly owned subsidiary of the Company, issued a convertible bond ("Vanguard Glory Convertible Bonds") on 25 January 2018, which, on 5 March 2018, the Company issued a Vanguard Glory Convertible Bond ("Vanguard Convertible Bonds") in a face value of HK\$18.00 million. The Vanguard Convertible Bonds are convertible into 26,000,000 shares of the Company (after giving effect to the adjustment). Upon issue, the Company issued a Vanguard Convertible Bond in a face value of HK\$18.00 million.

The shares of the Company have a par value of HK\$0.10, which is the face value of the Vanguard Convertible Bonds. The Vanguard Convertible Bonds are convertible into 26,000,000 shares of the Company (after giving effect to the adjustment). Upon issue, the Company issued a Vanguard Convertible Bond in a face value of HK\$18.00 million.

### Hony Convertible Bonds

On March 29, 2018, the Company and Hony Capital Fund VIII (Canada), L.P. ("Hony Fund VIII") entered into a purchase agreement for the issuance of \$100 million of convertible senior notes due 2023 (the "Notes"). The Notes will have a coupon rate of 5.00% and will be convertible into common shares of the Company at the option of the holder at any time after the date of issuance.



LW Convertible Bonds

In the financial statements, December 21, 2018 and January 16, 2019, the Company and Leeward agreed to issue the convertible bonds (the "LW Convertible Bonds") in aggregate principal amount of HK\$800,000,000 at a coupon rate of 6% per annum. On February 27, 2019, the LW Convertible Bonds were issued at a price of HK\$1.00 each. The LW Convertible Bonds are convertible into shares of the Company (the "Shares") at the option of the bondholders. The conversion price is HK\$20.00 per share (the "Conversion Price"). Upon conversion, the Company will issue new Shares to the bondholders at a conversion rate of 5 shares for every HK\$100 of principal amount of the LW Convertible Bonds.

The interest on the LW Convertible Bonds is payable semi-annually on January 16, 2019, being the date which the interest on the LW Convertible Bonds is due, at HK\$16.18 per HK\$100 of principal amount.

The proceeds from the issue of the LW Convertible Bonds of HK\$800 million as at December 31, 2020 are recorded as liabilities in the financial statements of the Company as at January 16, 2019. The Company has used the proceeds from the issue of the LW Convertible Bonds for general corporate purposes. The Company has also used the proceeds from the issue of the LW Convertible Bonds to fund its operations. As at December 31, 2020, the Company has used the proceeds from the issue of the LW Convertible Bonds as follows:

	Percentage to the total amount	Net Proceeds <i>HK\$ million</i>	Utilized Amount <i>HK\$ million</i>	Unutilized Amount <i>HK\$ million</i>
Acquisition of shares	100%	800	-	800
Total	100%	800	-	800

As at December 31, 2020, the LW Convertible Bonds have been classified as liabilities. The LW Convertible Bonds have been classified as liabilities of the Company as at December 21, 2018, January 16, 2019 and February 27, 2019 and the Company as at January 16, 2019.

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SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed herein, for the period ended June 30, 2020, the Group did not have any significant investments or future plans for material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2020, the Group had 473 full-time employees (as at June 30, 2019: 468). We provide a comprehensive employee benefit plan. The average age of our employees is 35 years old. For the period ended June 30, 2020, the average employee benefit expense (including directors' remuneration) was RMB57.3 million (for the period ended June 30, 2019: RMB64.3 million).

MATERIAL ACQUISITIONS, FINANCING ACTIVITY AND DISPOSALS

As at June 30, 2020, the Group did not have any acquisitions, financings or disposals.

CONTINGENT LIABILITIES

As at June 30, 2020, the Group did not have any contingent liabilities.

INTERIM DIVIDEND

The Board of Directors has not decided to declare any interim dividends for the period ended June 30, 2020.





## CORPORATE GOVERNANCE AND OTHER INFORMATION

- (1) VagadG i a h - ed bidia fH F dV, L.P. a dh d (a) 97,000,000 hae f heC a a d (b) c e ibeb d i edb heC a , hich ca bec e edi 26,000,000 hae f heC a a d e e e a i a e 18.81% f he i ed ha e ca i a f heC a a fJ e 30, 2020. F f he de ai , ea e efe he eci headed 'C e ibe B d 'i hi e .
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- (4) M. Zha J h H a i dee ed be i e e di a a f 161,693,985 hae f heC a ha a e h d b h i c ed c ai , VagadG a dH F dVIII. VagadG h d 97,000,000 hae f heC a a d h d c e ibeb d i edb heC a ha ca bec e edi 26,000,000 hae f heC a . H F dVIII h d c e ibeb d i edb heC a ha ca bec e edi 38,693,985 hae f heC a . F f he de ai , ea e efe he eci headed 'C e ibe B d 'i hi e .
- (5) A h i Zh g'a LP i a i ied a e hi f ed de he a f he PRC a a i e e ehice. The ge ea a e f A h i Zh g'a LP i A h i Zh g'a , hich i j i hed a 55% b Hefei Ka g a g Ca ia Ma age e Pa e hi (Li ied Pa e hi ) (合肥康養資本管理合夥企業(有限合夥)) a d a 45% b A h i Ch a gg E i l e e F d Ma age e C . L.d. (安徽創谷股權投資基金管理有限公司). M. Ni Ya gi e f he ge ea a e f Hefei Ka g a g Ca ia Ma age e Pa e hi (Li ied Pa e hi ) (合肥康養資本管理合夥企業(有限合夥)). M . Li Li a di ec f A h i Zh g'a a d A h i Ch a gg E i l e e F d Ma age e C . L.d. (安徽創谷股權投資基金管理有限公司).
- (6) Lea Wa e Li ied, hich i h - ed b Lege d H di g C ai , h d c e ibeb d i edb heC a ha ca bec e ibei 40,000,000 hae f heC a , e e e i ga i a e 28.94% f he i ed ha e ca i a f heC a a fJ e 30, 2020. F f he de ai , ea e efe he eci headed 'C e ibe B d 'i hi e .
- (7) A a J e 30, 2020, he a be fi ed hae f heC a a 138,194,000.

## SHARE-BASED PAYMENT SCHEMES

- (a) Pre-IPO Share Appreciation Rights Scheme

## (b) Share Incentive Scheme

On October 24, 2017, Vanguard Group established a share incentive scheme (the "Share Incentive Scheme") which aims to benefit a group of employees (collectively referred to as the "Share Incentive Grantees") and each a "Share Incentive Grantee"). Pursuant to the Share Incentive Scheme, Vanguard Group granted 6,412,201 shares of the Share Incentive Grantee's ordinary shares to the beneficiaries of Vanguard Group at a price of HK\$14.35 per share, subject to certain conditions.

In 2018, pursuant to the Share Incentive Grantee's agreement with Vanguard Group, the grantee shall be entitled to receive 25% of the shares of Vanguard Group that the grantee is entitled to receive, and the grantee shall be entitled to receive 75% of the shares of Vanguard Group that the grantee is entitled to receive. The grantee shall be entitled to receive the shares of Vanguard Group that the grantee is entitled to receive as of December 31, 2018 at the end of the calendar year.

In 2019, pursuant to the Share Incentive Grantee's agreement with Vanguard Group, the grantee shall be entitled to receive 50% of the shares of Vanguard Group that the grantee is entitled to receive, and the grantee shall be entitled to receive 50% of the shares of Vanguard Group that the grantee is entitled to receive. The grantee shall be entitled to receive the shares of Vanguard Group that the grantee is entitled to receive as of December 30, 2020 at the end of the calendar year. Furthermore, pursuant to the Share Incentive Scheme, the grantee shall be entitled to receive the shares of Vanguard Group that the grantee is entitled to receive as of December 30, 2020 at the end of the calendar year.

The grantee shall be entitled to receive the shares of Vanguard Group of RMB802,000 (the grantee's 2019: RMB4,010,000) at the end of the calendar year as of December 30, 2020.



(c) 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 SAR Eligible Participants (as defined below) and to define the eligibility criteria for the Company to award the Post-IPO SARs Scheme to the eligible participants. The Post-IPO SAR Scheme is designed to help attract and retain key employees of the Company. Under the Scheme, directors, executives, and other employees, including full-time, part-time, and temporary employees, who have been employed by the Company as of the date of the adoption of the Scheme (the 'Post-IPO SARs Eligible Participants') shall be eligible to participate in the Scheme. The Post-IPO SAR Eligible Participants shall be entitled to exercise their rights under the Scheme. The Post-IPO SAR Eligible Participants shall be entitled to exercise their rights under the Scheme.

Under the Post-IPO SAR Scheme, the Company shall have the right to award the Post-IPO SARs to the eligible participants. Since the Listing Date of the Company, the Post-IPO SARs had been granted under the Post-IPO SAR Scheme.

Since the Listing Date of the Company, the Company has awarded the Post-IPO SARs to the eligible participants.

Under the Scheme, the Company shall have the right to award the Post-IPO SARs to the eligible participants.

CONTINUING CONNECTED TRANSACTIONS

## Annual caps and historical transaction amounts

### Annual cap for the Medici eP c e e Agree e

The annual cap for the Medici eP c e e Agree e for each of the years from 2019 to 2021 are as follows: RMB50 million for each year.

### Annual cap for the Medica C abe a dEi i e P c e e Agree e

The annual cap for the Medica C abe a dEi i e P c e e Agree e for each of the years from 2019 to 2021 are as follows: RMB7 million, RMB8 million and RMB9 million, respectively.

### Historical transactions

During the period from January 30, 2020, the total amount of medical services provided by the Medici eP c e e Agree e and the Medica C abe a dEi i e P c e e Agree e amounted to RMB13,862,000, consisting of (i) RMB10,881,000 from Zhejiang Zhongyuan Medical Services; and (ii) RMB2,981,000 from Zhejiang Dajia Medical Services. The total amount of medical services provided by the Medici eP c e e Agree e and the Medica C abe a dEi i e P c e e Agree e, respectively, did not exceed the annual cap for each year.

## Internal control procedures

The internal control procedures of the Group have been designed to ensure the accuracy and reliability of the financial statements of Zhejiang Zhongyuan Medical Services and Zhejiang Dajia Medical Services as follows:

- (i) The Group has established a system of internal control procedures to ensure the accuracy and reliability of the financial statements of Zhejiang Zhongyuan Medical Services;
- (ii) The Group has established a system of internal control procedures to ensure the accuracy and reliability of the financial statements of Zhejiang Zhongyuan Medical Services and Zhejiang Dajia Medical Services, and has established a system of internal control procedures to ensure the accuracy and reliability of the financial statements of Zhejiang Zhongyuan Medical Services; and
- (iii) The Group has established a system of internal control procedures to ensure the accuracy and reliability of the financial statements of Zhejiang Zhongyuan Medical Services and Zhejiang Dajia Medical Services.



## COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding the acceptance of gifts from the Company's directors and employees (hereinafter referred to as the Company) (the 'Securities Dealing Code') which is in accordance with the Model Code of Ethics for Directors and Employees of the Listing Rules. Having adopted the Securities Dealing Code, the Company's directors and employees have complied with the Model Code of Ethics for Directors and Employees of the Listing Rules.

## AUDIT COMMITTEE

The audit committee was established in accordance with the provisions of the Memorandum and Articles of Association of the Company. The Audit Committee consists of three independent non-executive directors, Mr. Zhou Xiaoliang (周向亮) (Chairman) and Mr. Shi Lue (史録文), a director, Mr. Shi Wenting (石文婷). The Audit Committee is responsible for overseeing the financial reporting process of the Company, the accuracy of the financial statements, the effectiveness of the internal control system, the accuracy of the financial information disclosed by the Company, the Listing Rules and the applicable laws and regulations.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## FINANCIAL INFORMATION

The Group's financial information for the period ended June 30, 2020 has been audited by the independent member of the Group's audit firm, PricewaterhouseCoopers, a director of the Audit Committee.

TO THE BOARD OF DIRECTORS OF HOSPITAL CORPORATION OF CHINA LIMITED

(in accordance with the applicable provisions)

## INTRODUCTION

We have reviewed the interim financial information of the Company (the "Company") for the period from January 1, 2020 to June 30, 2020, and the interim financial information of the Company for the period from July 1, 2020 to September 30, 2020, and the interim financial information of the Company for the period from October 1, 2020 to December 31, 2020, and the interim financial information of the Company for the period from January 1, 2021 to March 31, 2021. The Review is performed in accordance with the provisions of the Accounting Standards for Interim Financial Reporting. The scope of the review is limited to the financial information presented in the interim financial statements. We do not provide any assurance on the financial information presented in the interim financial statements.

## SCOPE OF REVIEW

We conducted the review in accordance with the provisions of the Accounting Standards for Interim Financial Reporting. The review is limited to the financial information presented in the interim financial statements. We do not provide any assurance on the financial information presented in the interim financial statements.

## CONCLUSION

Based on the review, we have concluded that the interim financial information of the Company for the period from January 1, 2020 to March 31, 2021, and the interim financial information of the Company for the period from July 1, 2020 to September 30, 2020, and the interim financial information of the Company for the period from October 1, 2020 to December 31, 2020, and the interim financial information of the Company for the period from January 1, 2021 to March 31, 2021, is consistent with the accounting records of the Company.

PricewaterhouseCoopers

Certified Public Accountant

Hong Kong, August 28, 2020

## IN ERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Revenue	5	180,679	208,531
Cost of sales		<u>(99,977)</u>	<u>(124,088)</u>
Gross profit		80,702	84,443
Administrative expenses		(29,507)	(33,722)
Non-current financial assets		(3,754)	
Impairment loss on financial assets	13	(668,219)	
Other income	6	3,492	515
Other gains	7	<u>5,344</u>	<u>42,579</u>
Operating (loss)/profit		(611,942)	93,815
Financial income	8	21,122	25,246
Financial cost	8	<u>(11,094)</u>	<u>(6,122)</u>
(Loss)/profit before income tax		(601,914)	112,939
Income tax expense	9	<u>34,922</u>	<u>(18,014)</u>
(Loss)/profit for the period		(566,992)	94,925
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the period		<u><u>(566,992)</u></u>	<u><u>94,925</u></u>
Attributable to:			
Owners of the Company		(535,403)	82,029
Non-controlling interests		<u>(31,589)</u>	<u>12,896</u>
Total comprehensive (loss)/income for the period		<u><u>(566,992)</u></u>	<u><u>94,925</u></u>
(Loss)/earnings per share from (loss)/profit attributable to owners of the Company			
Basic (loss)/earnings per share (i RMB)	10	(3.874)	0.594
Diluted (loss)/earnings per share (i RMB)	10	<u>(3.874)</u>	<u>0.005</u>

The above condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

## IN ERIM CONDENS ED CON OLIDA ED BALANCE HE E

N e	June 30, 2020 RMB' 000 (Unaudited)	Dece be 31, 2019 RMB' 000 (A di ed)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Pre , a a de i e	11 143,168	146,176
Righ - f- ea e	12 40,328	42,011
I a gibe a e	13 2,222,222	2,905,829
Defe ed i c e a a e	23 2,054	1,413
O he ecei abe , de i a d e a e	15 2,901	2,012
A d e f a e a e d a	16 80,000	80,000
<b>Total non-current assets</b>	<b>2,490,673</b>	<b>3,177,441</b>
<b>Current assets</b>		
I e i e	6,540	5,021
C ac a e	11,055	
T a d e c e i a b e	14 30,352	30,332
O he ecei abe , de i a d e a e	15 1,744	16,405
A d e f e a e d a i e	16 266,595	217,947
F i a c i a a e a f a i a e h g h f i	4.3(i) 95,096	36,829
T e d e i	5,261	134,370
C a h a d c a h e i a e	922,493	836,624
<b>Total current assets</b>	<b>1,339,136</b>	<b>1,277,528</b>
<b>Total assets</b>	<b>3,829,809</b>	<b>4,454,969</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Sha e c a i a	17 123	123
Sha e e i	17 435,304	435,304
O he e e e	18 925,033	924,231
(Acc a e d e ) / e a i e d e a i g	(411,955)	123,448
<b>Non-controlling interests</b>	<b>948,505</b>	<b>1,483,106</b>
	<b>300,850</b>	<b>334,734</b>
<b>Total equity</b>	<b>1,249,355</b>	<b>1,817,840</b>

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IN ERIM CONDENSED CONSOLIDATED BALANCE SHEET CONTINUED

	Note	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	69,462	99,658
Contingent liabilities	22	1,284,486	1,693,430
Lease liabilities	12	316	650
Deferred consideration	23	300,153	350,087
Accruals and provisions	20	175	362
		<u>1,654,592</u>	<u>2,144,187</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade payables	19	16,978	13,325
Accruals and provisions	20	81,399	78,860
Accounts payable	16	20,947	23,749
Contract liabilities		112	539
Contract consideration		20,549	28,713
Borrowings	21	145,580	114,744
Contingent liabilities	22	403,257	
Lease liabilities	12	1,689	2,412
Other financial liabilities at fair value		235,351	230,600
		<u>925,862</u>	<u>492,942</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>2,580,454</u>	<u>2,637,129</u>
<b>Total equity and liabilities</b>			
		3,829,809	4,454,969



Note	Attributable to the Company						Attributable to the Minority	
	Share Capital	Reserves	Share Premium	Other Reserves	(Accumulated Losses)/	Subsidiaries	Minority Interest	Total
	RMB'000	RMB'000	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					82,029	82,029	12,896	94,925
Share-based payments	17	*	2,311			2,311		2,311
Share-based payments								
Share-based payments	18			311		311		311
Share-based payments	18			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 is in RMB500.

The above condensed consolidated statements of change in equity should be read in conjunction with the accompanying notes.

## IN ERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Note	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
<b>Cash flows from operating activities</b>		
	44,935	17,725
	216	216
	<u>(23,817)</u>	<u>(21,651)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>21,334</u>	<u>(3,710)</u>
<b>Cash flows from investing activities</b>		
	(6,216)	(5,778)
	-	(178)
4.3(iii)	(167,360)	
	(1,535)	(2,008)
	(5,261)	
	(23,157)	(38,573)
4.3(iii)	109,168	68,730
4.3(iii)	106	
	7,758	3,032
	15,000	
	<u>134,370</u>	
<b>Net cash generated from investing activities</b>	<u>62,873</u>	<u>25,225</u>
<b>Cash flows from financing activities</b>		
	30,100	40,000
	-	682,160
	(489)	(28,124)
	(31,929)	(41,759)
	(7,323)	(7,201)
	-	(1,623)
	(1,097)	(948)
	<u>(2,295)</u>	
<b>Net cash (used in)/generated from financing activities</b>	<u>(13,033)</u>	<u>642,505</u>
<b>Net increase in cash and cash equivalents</b>	71,174	664,020
	836,624	195,521
	<u>14,695</u>	<u>21,856</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>922,493</u>	<u>881,397</u>

The above condensed consolidated statements have been prepared in accordance with the accounting policies.

# NO E O HE IN ERIM CONDEN ED CON OLIDA ED FINANCIAL INFORMA ION

## 1 GENERAL INFORMATION

H ia C a i f Chi a Li ed ('he C a ') a ic a ed i he Ca a l a d Feb a 21, 2014 a a e e ed c a i h i i ed i a b i i de he C a i e La (Ca .22, La 3 f 1961 a c ida ed a d e i ed) f he Ca a l a d . The add e f he C a ' egi e ed ffice i PO B 309, Uga d H e, Ga d Ca a , KY1-1104, Ca a l a d .

The C a , ge he i h i b idia i e (c e c i e e f e ed a 'he G '), a e i c i a e g a g e d i (i) e a i a d a a g e e f i i a e e d h i a ; (ii) i i f a a g e e a d c a i e i c e h e e - f - f i h i a a d (iii) h e a e f h a a c e i c a d c i h e P e ' R e b i c f Chi a (he 'PRC').

The C a i c e d b Va g a d G Li ed ('Va g a d G '), a b idia f H Ca i a F d V, L.P., h i c i c i d e e d a h e i a e h d i g c a f he C a .

The d i a h a e f he C a e e i ed h e M a i B a d f he S c r E c h a g e f H g K g Li ed M a c h 16, 2017.

The i e i c d e e d c i d a e d f i a c i a i f a i i e e e d i R e i b i ('RMB') a d d e d e a e h a d a , e h e i e a e d .

## 2 BASIS OF PREPARATION

The i e i c d e e d c i d a e d f i a c i a i f a i f h e i h e d e d J e 30, 2020 h a b e e e a e d i a c c d a c e i h l e a i a A c c i g S a d a d ('IAS') 34, 'l e i f i a c i a e i g'. The i e i c d e e d c i d a e d f i a c i a i f a i d e i c d e a h e i f a i a i c d e d i a a a f i a c i a a e e a d h h d b e e a d i c j c i i h h e a a f i a c i a a e e f h e G f h e e a e d e d D e c e b e 31, 2019, h i c h a e b e e e a e d i a c c d a c e i h l e a i a F i a c i a R e i g S a d a d ('IFRS'), a d a b i c a c e e a d e b h e C a d i g h e i h e d e d J e 30, 2020.

The a c c i g i c i e a d e d a e c i e i h h e f h e a a f i a c i a a e e f h e e a e d e d D e c e b e 31, 2019, a d e c i b e d i h e a a f i a c i a a e e , e c e f h e a d i f e a d a e d e d a d a d a e b e .

### (a) New and amended standards adopted by the Group

A b e f e a e d e d a d a d b e c a e a i c a b e f h e c e e i g e i d . The g d i d h a e c h a g e i a c c i g i c i e a r e e e c i e a d j e a a e f a d i g h e e a d a d .

2 BASIS OF PREPARATION *continued*

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

Acc di g he a e d e IAS 1, hich i be effec i e f a a e i d begi i g

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

4.3 Fair value estimation

(i) Fair value hierarchy

This section describes the judgment made in determining the fair value of the financial instruments held at the reporting date. The management has determined the fair value of the financial instruments based on the fair value hierarchy. The Group has categorized the financial instruments into three levels based on the inputs used in the valuation. Assets and liabilities are classified into Level 1, Level 2 or Level 3 based on the inputs used in the valuation. Assets and liabilities are classified into Level 1, Level 2 or Level 3 based on the inputs used in the valuation.

The following table shows the Group's financial assets and financial liabilities measured at fair value as at June 30, 2020 and December 31, 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<i>(Unaudited)</i>				
As at June 30, 2020				
Assets				
Financial assets measured at fair value through profit or loss ('FVPL')				
Measures of fair value		95,096		95,096
<b>Total assets</b>		<b>95,096</b>		<b>95,096</b>
Liabilities				
Financial liabilities at FVPL				
Contractual (Net)			1,687,743	1,687,743
<b>Total liabilities</b>			<b>1,687,743</b>	<b>1,687,743</b>

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *c i ed*

4.3 Fair value estimation *c i ed*

(i) *Fai a ehie ach c i ed*

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<i>(Audited)</i>				
As at December 31, 2019				
Assets				
Fi a cia a e a FVPL				
M ea f d ihf a ig a e		36,229		36,229
Ca i ac i e b idia i e ' e ai i gi ee			600	600
Total assets		36,229	600	36,829
Liabilities				
Fi a cia iabii ie a FVPL				
C e ibe b d			1,693,430	1,693,430
Total liabilities			1,693,430	1,693,430

The e ee a fe be ee ee 1,2 a d 3 d i g he e i d.

The G ' ic i ec gie a fe i a d a fe f fai a ehie ach ee a a hee d f he e i g e i d.

Le e 1: The fai a e ffi a cia i e aded i acie are ( cha bic aded deiaie , a de i ec iie ) i ba ed ed are ice a hee d f he e i g e i d. The ed are ice ed f fi a cia a e he d b he G i he c e bid ice. The ei e ae ic ded i ee 1.

Le e 2: The fai a e ffi a cia i e ha ae aded i a acie are ( fe a e , e - he - c e deiaie ) i de e ied i g a ai ech i e hich aiie he e f be abe are daa a de a i ea i be e i - ecifice i ae . I f a i g ifica i e ied fai a ea i e ae be abe , he i e i ic ded i ee 2.

Le e 3: I f e e f he i g ifica i i ba ed be abe are daa , he i e i ic ded i ee 3.



4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *c i ed*

4.3 Fair value estimation *c i ed*

(ii) *Va a i ech i e ed de e i e fai a e*

Specific a a i ech i e ed a e fi a cia i e i c de:

- The use of quoted market prices or dealer quotes for similar instruments, and
- For call option and convertible bonds – option pricing models (e.g. binomial model).

(iii) *Fai a e ea e e i g ig ifica b e ab e i (e e 2)*

The f i g ab e e e he cha ge i e e 2 i e f he i h e ded J e 30, 2020.

	M e a f d i h f a i g a e RMB'000
<i>(Unaudited)</i>	
Opening balance as at January 1, 2020	36,229
Add i	167,360
Se e e	(109,274)
Gai ec g i ed i he gai e *	781
Closing balance as at June 30, 2020	95,096
* I c de e a i ed gai ec g i ed i fi a i b ab e ba a ce he d a he e d f he e i g e i d	675

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *c i ed*

4.3 Fair value estimation *c i ed*

(i) *Fai a e ea e e i g ig ifica b e a b e i (e e 3)*

The f i g a b e e e h e c h a g e i e e 3 i e f h e i h e d e d J e 30, 2020.

	Ca i a c i e b i d i a i e ' e a i g i e e RMB'000	C e i b e b d (N e 22) RMB'000	T a RMB'000
<i>(Unaudited)</i>			
Opening balance as at January 1, 2020	600	(1,693,430)	(1,692,830)
Gai e c g i e d i h e g a i e *	<u>(600)</u>	<u>5,687</u>	<u>5,087</u>
Closing balance as at June 30, 2020	<u><u>                    </u></u>	<u><u>(1,687,743)</u></u>	<u><u>(1,687,743)</u></u>
* I c d e e a i e d ( e )/g a i e c g i e d i f i a i b a b e b a a c e h e d a h e e d f h e e i g e i d	<u><u>(600)</u></u>	<u><u>5,687</u></u>	<u><u>5,087</u></u>

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *c i ed*

4.3 Fair value estimation *c i ed*

(i) *Fai a e ea e e i g ig ifica b e abei (e e 3) c i ed*

(a) *C e ibeb d*

Ma age e ha e ie ed a d a e ed he a ai e i ed b a i de e de a e a d iced he fai a e f he c e ibeb d a f J e 30, 2020 a ai i aced b he b d ied, hich a de e i ed b fac i c di g a r e i e e a e , he c e ibeb d ' i r a e , he c e ibeb d ' e i a i da e a d he a i i f he C a ' c r i ce.

The de ai f each c e ibeb d ea e efe N e 22.

4.4 Fair value of financial assets and liabilities measured at amortized cost

The fai a e f he f i g fi a cia a e a d iabi i e a e a e ia diffe e hei ca i g a , i ce he i e e ecei abe/ a abei ei he c e c e a r e a e he i e a e h - e i a e:

- Trade receivables
- Contract assets
- Other receivables, deposits and prepayments
- Amounts due from related parties
- Term deposits
- Cash and cash equivalents
- Trade payables
- Contract liabilities
- Accruals, other payables and provisions (excluding non-financial liabilities)
- Amounts due to related parties
- Borrowings
- Lease liabilities

5 SEGMENT INFORMATION

O e a i g e g e a e e e d i a a e c i e i h h e i e a e i g i d e d h e c h i e f e a i g d e c i i - a r e ('C O D M'). T h e C O D M, h i e i b e f a c a i g e c e a d a e i g e f a c e f h e e a i g e g e, h a b e e i d e i f i e d a h e e e c i e d i e c c h i e f e e c i e f f i c e f h e C a h a a r e a e g i c d e c i i.

T h e C O D M c o n s i d e r s t h e b i e f b h h e e i c e a d d c e e c i e. W h e n t h e G c a i e h a e i i a e c i c h a c e i i c, a d h e e g e a e i i a i e a c h f h e f i g e e c: (i) h e a e f h e d c a d e i c e; (i i) h e a e f h e d c i c e e; (i i i) h e e c a f c e f h e i d c a d e i c e; (i v) h e e h d e d d i b e h e i d c i d e h e i e i c e; a d (v) i f a i c a b e, h e a e f h e e g a e i e, h e G ' e a i g e g e a e a g g e g a e d. I n t h e i e f C O D M, h e G i i c i a e g a g e d i h e e d i f f e e g e h i c h a e b j e c t d i f f e e b i e i r a d d i f f e e c i c h a c e i i c.

T h e G a e e h e e f a c e f h e e a i g e g e b a e d a e a e f e a i g b e f e i e e, i c e a, d e e c i a i a d a i a i ('E B I T D A'). T h e G ' e a i g a d e a b e e g e f e g e e i g e a e a f:

(a) General hospital services

R e e e f h i e g e i g e e a e d i h e P R C a d d e i e d f h i a e i c e i d e d b J i a d e H i a f T a d i i a C h i e e M e d i c i e C., L d. ('J i a d e H i a'), J i a d e D a j i a C h i e e M e d i c i e P h a c e i c a T e c h g C., L d. ('D J P h a c e i c a T e c h g') a d J i a d e X i i P h a c C., L d. ('X i i P h a c') f h e i h e d e d J e 30, 2020.

F g e e a h i a e i c e, e e e i a i d e i e f h i g h d i e i f i e d i d i d a a i e a d i g e a i e c i b e d 1% e f h e G ' e e c i e e e e f h e i h e d e d J e 30, 2020 a d 2019, e e c i e.

(b) Hospital management services

R e e e f h i e g e i g e e a e d i h e P R C a d d e i e d f i d i g c e h e i e a a g e e e i c e a d e c e i g a a g e e e i c e f e e b W e i r a g l e e M a a g e e C., L d. ('W e i r a g l e e'), T i b e D a i H g h e R i i B i e M a a g e e C., L d. ('H g h e R i i'), C i i H g h e M e d i c a M a a g e e C., L d. ('C i i H g h e') a d Z h e j i a g H g h e Z h i a M e d i c a T e c h g C., L d. ('Z h e j i a g H g h e Z h i a').

**5 SEGMENT INFORMATION** *c i ed*

**(b) Hospital management services** *c i ed*

P a he h ia a age e fa e r age e e a d he e e fi e ig ed b Weira g l e e a d Sha ghai Ya gi H ia ('Ya gi H ia') Ja a 1, 2013 a d Oc be 8, 2014, e ecie , he g- e h ia a age e age e e ig ed b H ghe R ii a d Ya gi H ia Ja a 1, 2016 a d he 3- ea h ia a age e age e e ig ed b Weira g l e e a d H ghe R ii ih Ya gi H ia Ja a 1, 2020, c eig he eid f 2020 2022, Weira g l e e a d H ghe R ii ha e ided a age e a dc a c e ice Ya gi H ia i ha eid f 50 ea f 2016 2065 a d he a age e fee i be cac a ed ba ed e- e f a e i he 3- ea h ia a age e age e e acc di g .

Ci i H ghe had e e edi a e e fi e ih Ci i U i H ia ('Ci i H ia') Feb a 1, 2018 a d ig ed a e e a e e fi e ih Ci i H ia Mach 7, 2018. P a he e e fi e , Ci i H ghe ha ided a age e a dc a c e ice Ci i H ia i ha eid f 50 ea f 2018 2067. O Mach 26, 2018, Ci i H ghe e e edi a 5- ea h ia a age e age e e ih Ci i H ia c eig he eid f 2018 2022. P a he h ia a age e age e e , Ci i H ghe ca deie a age e fee ba ed he e- e f a e i he 5- ea h ia a age e age e e .

Zhejia g H ghe Zhi a had e e edi a 50- ea h ia a age e e e fi e ih Zhejia g Ji h a G a gf O c gica H ia ('Ji h a H ia'), c eig he eid f Ja a 1, 2017 Dece be 31, 2066. P a he Ji h a H ia e e fi e , Zhejia g H ghe Zhi a ha age ed ide c a c a d a age e e ice Ji h a H ia, a d Ji h a H ia ha age ed a Zhejia g H ghe Zhi a a age e e ice fee . The de aied e ice c e a d i c i g a e c c ded a d effecie i a e a a e 3- ea h ia a age e age e e hich a ig ed b Zhejia g H ghe Zhi a a d Ji h a H ia, c eig he eid f 2020 2022. P a he 3- ea h ia a age e age e e , he a age e fee ha bee cac a ed ba ed he e- e f a .

**(c) Wholesale of pharmaceutical products**

Re e e f hi eg e i ge e a ed i he PRC a d i de i ed f h e a e f ha ace i ca d c a Zhejia g Dajia Medici e C ., L d. ('DJ Medici e ') a d i b idia , H ghe (Ji h a) Pha ace i ca C ., L d.

**(d) Unallocated**

The 'U a ca ed' ca eg ai e e e he head a e i c e a d e e e .

5 SEGMENT INFORMATION *continued*

Segment information by geographical region is presented below:

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

5 SEGMENT INFORMATION *c i ed*

Seg e i f a i ab heG ' e abe eg e i e e ed be

6 OTHER INCOME

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (U a di ed)
G e e g a a d b idie (a)	2,466	109
O he	1,026	406
	<u>3,492</u>	<u>515</u>

(a) The G e e g a a d b idie ai c i f RMB2,179,000 g a ed b he Jia de Pe e' G e e 61(0 0 6 -10.06 Td2



8 FINANCE INCOME AND COSTS

9 INCOME TAX EXPENSE *continued*

(a) Cayman Islands Income Tax

The Company is a resident of the Cayman Islands and is not subject to income tax in the Cayman Islands. The Company is also not subject to income tax in the Cayman Islands on income derived from the Cayman Islands.

(b) Hong Kong Profits Tax

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic ( )/ea i g e ha e i cac a ed b di idi g he fi a ib abe e f he  
 C a b he eigh ed a e age be f di a ha e i i e d i g he i h e ded  
 J e 30, 2020 a d 2019.

Six months ended June 30,

2020  
(Unaudited)

2019  
(U a di ed)

11 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, 2020						
Net balance						
Balance at January 1, 2020	111,317	430	24,149	5,738	4,542	146,176
Additions	3,313	1,870	1,480	198	598	7,459
Disposals	(1,211)	-	-	-	-	(1,211)
Transfer to other categories	-	-	-	-	(3,920)	(3,920)
Decreases	(2,145)	(68)	(2,339)	(784)	-	(5,336)
Balance at June 30, 2020	<u>111,274</u>	<u>2,232</u>	<u>23,290</u>	<u>5,152</u>	<u>1,220</u>	<u>143,168</u>
<i>(Unaudited)</i>						
Six months ended June 30, 2019						
Net balance						
Balance at 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)
Decreases	(2,067)	(46)	(1,992)	(780)	-	(4,885)
Balance at 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>

12 LEASES

This note provides a detailed description of the Group's lease activities.

(a) Amounts recognised in the balance sheet

The balance sheet reflects the following lease-related amounts:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
<b>Right-of-use assets</b>		
Land lease	38,071	38,544
Prepaid	2,257	3,467
	<u>40,328</u>	<u>42,011</u>
<b>Lease Liabilities</b>		
Current	1,689	2,412
Non-current	316	650
	<u>2,005</u>	<u>3,062</u>

The lease liability reflects the right-of-use assets for the period ended June 30, 2020. (2019: RMB4,219,000).

12 LEASES *c i ed*

(b) Amounts recognised in the statement of comprehensive income

The a e e f c e h e i e i c e h h e f i g a e a i g e a e :

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (U a d i e d)
De ecia i chage f igh - f- e a e - e i e	1,211	631
A i a i chage f igh - f- e a e - a d e igh	472	472
l e e e e e (i c d e d i f i a c e c )	40	25
E e e e a i g h - e e a e (i c d e d i c f e e e a d a d i i a i e e e e )	147	963
E e e e a i g e a e f - a e a e (i c d e d i a d i i a i e e e e )	2	

The a c a h f f e a e f h e i h e d e d J e 30, 2020 a RMB1,097,000 ( i h e d e d J e 30, 2019: RMB948,000).

13 INTANGIBLE ASSETS

	Goodwill RMB'000	Contractual rights to provide management services RMB'000	Licenses RMB'000	Software RMB'000	Total RMB'000
<i>(Unaudited)</i>					
Six months ended June 30, 2020					
Net change					
Opening balance at January 1, 2020	1,617,767	1,113,506	173,194	1,362	2,905,829
Additions	-	(11,821)	(3,427)	(140)	(15,388)
Impairment charge	(467,083)	(201,136)	-	-	(668,219)
Closing balance at June 30, 2020	<u>1,150,684</u>	<u>900,549</u>	<u>169,767</u>	<u>1,222</u>	<u>2,222,222</u>

<i>(Unaudited)</i>					
Six months ended June 30, 2019					
Net change					
Opening balance at January 1, 2019	1,617,767	1,137,153	180,047	1,572	2,936,539
Additions				178	178
Impairment		(11,823)	(3,427)	(160)	(15,410)
Closing balance 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>

(a) Goodwill impairment

Management evaluates the recoverability of each cash-generating unit ('CGU'). The recoverability of each CGU is determined based on fair value less costs of disposal ('FVLCD') calculation. The calculation is performed based on the cash flow projections for each CGU as of January 1, 2020. The management considers the cash flow projections based on the historical performance and the management's expectations for the future. Cash flows are based on the historical performance and the management's expectations for the future. Cash flows are based on the historical performance and the management's expectations for the future.

Due to the impact of the COVID-19 pandemic, the management has reassessed the recoverability of the cash-generating units. The management has reassessed the recoverability of the cash-generating units. The management has reassessed the recoverability of the cash-generating units.

Impairment charges of RMB243,500,000, RMB130,153,000 and RMB93,430,000 were recognized for Jia de Hsia, Zhejia and Zhejia Zhi'an cash-generating units ('the cash-generating units'), respectively, as of June 30, 2020.

13 INTANGIBLE ASSETS *c i e d*

(a) Goodwill impairment *c i e d*

Based on the forecasted cash flows and other factors, the recoverability of the cash generating units as at June 30, 2020 and December 31, 2019 were determined based on the FVLCOF of the identifiable intangible assets and other factors. The impairment loss is recorded based on the fair value less costs of disposal of the assets.

The following table sets forth the cash generating units and their respective carrying amounts as at June 30, 2020:

	Jiande Hospital operating CGU	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Recovery rate (%)	12.06%	14.65%
Percentage of cash flows	15.00%	14.50%
Recoverable amount (RMB'000)	337,000	717,000

	Cixi Honghe operating CGU	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Recovery rate (%)	12.90%	18.26%
Percentage of cash flows	14.00%	13.50%
Recoverable amount (RMB'000)	250,000	514,000

	Zhejiang Honghe Zhiyuan operating CGU	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Recovery rate (%)	19.24%	19.58%
Percentage of cash flows	14.00%	13.50%
Recoverable amount (RMB'000)	673,000	957,000



13 INTANGIBLE ASSETS

(a) Goodwill impairment

The recoverable amount of Weikang Investment and Honghe Ruixin operating CGU and DJ Medicine operating CGU (the "CGUs") were determined to be RMB1,589,000,000 and RMB15,505,000 as at June 30, 2020 which exceeded the carrying amount of the CGUs by RMB117,164,000 and RMB1,422,000. No impairment was recognized for the CGUs. As at June 30, 2020, the carrying amount of the goodwill of the CGUs was RMB950,915,000 and RMB9,266,000, respectively.

The following table sets forth the carrying amount of the CGUs and the impairment recognized as at June 30, 2020:

	Weikang Investment and Honghe Ruixin operating CGU	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Recoverable amount	9.92%	8.66%
Carrying amount	13.50%	13.00%
Recoverable amount of operating CGU (RMB'000)	1,589,000	1,608,000

  

	DJ Medicine operating CGU	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Recoverable amount	43.90%	45.90%
Carrying amount	15.00%	14.50%
Recoverable amount of operating CGU (RMB'000)	15,505	15,000

13 INTANGIBLE ASSETS *c i e d*

(a) Goodwill impairment *c i e d*

The following table sets forth a summary of the impairment tests performed for the Weikang Investment and Honghe Ruixin operating CGU and DJ Medicine operating CGU as of each reporting date (as applicable) and the results of the tests are as follows:

		Weikang Investment and Honghe Ruixin operating CGU Six months ended June 30, 2020	
		Key assumption	Breakeven Point
Percentage of cash flows	discounted	9.92%	8.14%
Percentage of cash flows	discounted	13.50%	14.39%

		Weikang Investment and Honghe Ruixin operating CGU Year ended December 31, 2019	
		Key assumption	Breakeven Point
Percentage of cash flows	discounted	8.66%	7.18%
Percentage of cash flows	discounted	13.00%	14.34%

		DJ Medicine operating CGU Six months ended June 30, 2020	
		Key assumption	Breakeven Point
Percentage of cash flows	discounted	43.90%	35.23%
Percentage of cash flows	discounted	15.00%	15.86%

		DJ Medicine operating CGU Year ended December 31, 2019	
		Key assumption	Breakeven Point
Percentage of cash flows	discounted	45.90%	45.07%
Percentage of cash flows	discounted	14.50%	14.79%

13 INTANGIBLE ASSETS *c i ed*

(b) Impairment losses on contractual rights to provide management services

C ac a igh ide a age e e ice a e he igh ide a age e e ice Ya g ih ia, Ji h ah ia a d Ci ih ia ihfi ie ef ife. The ec ac a igh ac i ed i b ie c bi ai ae ec g i ed a fai a ea a he ac i i dae.

C ide i g he i ac f he COVID-19 bear, a age e e gaged a i de e de a e i de e i i g he ec e abea f c ac a igh ide a age e e ice Ji h ah ia a d Ci ih ia a a J e 30, 2020. I ai e e f RMB132,525,000 a d RMB68,611,000 e e ec g i ed, ed ci g he ca i ga f he c ac a igh ide a age e e ice Ji h ah ia a d Ci ih ia RMB558,300,000 a d RMB239,700,000, e ec ie .

N i ai e a cha ged f c ac a igh ide a age e e ice Ya g ih ia d i g he i h e ded J e 30, 2020 a d he ea e ded Dece be 31, 2019.

14 TRADE RECEIVABLES

	As at June 30, 2020 RMB'000 (Unaudited)	A a Dece be 31, 2019 RMB'000 (A di ed)
Trade receivable	35,106	31,332
Less: Provision for trade receivable	(4,754)	(1,000)
Trade receivable net	<u>30,352</u>	<u>30,332</u>

The carrying amount of the Group's trade receivable as at the end of the reporting period is denominated in RMB and is primarily denominated in RMB.

As at June 30, 2020 and December 31, 2019, the ageing analysis of trade receivable is as follows:

	As at June 30, 2020 RMB'000 (Unaudited)	A a Dece be 31, 2019 RMB'000 (A di ed)
1 - 90 days	24,563	25,428
91 - 180 days	1,153	1,658
181 days - 1 year	5,234	2,947
Over 1 year	4,156	1,299
	<u>35,106</u>	<u>31,332</u>

15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at June 30, 2020 RMB'000 (Unaudited)	A a Dece be 31, 2019 RMB'000 (A di ed)
Pe a e f c ci a de i e	2,901	1,455
De i f e a	590	590
Ad a ce e ee	253	569
O he ecei abe	573	488
O he e a e	328	315
M e a f d ecei abef a e a age e c a	-	15,000
	<hr/>	<hr/>
T a	4,645	18,417
Le : -c e i	(2,901)	(2,012)
	<hr/>	<hr/>
C e i	<u>1,744</u>	<u>16,405</u>

The ca i g a f he ecei abe , de i a d e a e a e de i a ed i RMB a d a i a e hei fai a e .

16 BALANCES WITH RELATED PARTIES

As at June 30, 2020 and December 31, 2019, the balances are in RMB, except where indicated otherwise in RMB.

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Amounts due from related parties		
Tadei a e		
Ji h aH ia	139,693	122,120
Ya g iH ia	84,940	88,540
Ci iH ia	15,961	6,384
O he		
Ji h aH ia	105,102	80,429
Ya g iH ia	529	64
Va g a dG Li ied	370	366
Mid i H Ld	-	36
Ha Pe i geLi ied	-	8
	<u>346,595</u>	<u>297,947</u>
T a		
Le : -c e i	(80,000)	(80,000)
	<u>266,595</u>	<u>217,947</u>

As at June 30, 2020 and December 31, 2019, the age of accounts receivable is as follows:

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Wi hi 90 da	52,676	58,293
91 180 da	42,523	48,159
O e 180 da	145,395	110,592
	<u>240,594</u>	<u>217,044</u>

16 BALANCES WITH RELATED PARTIES *continued*

As at June 30, 2020, the following table summarizes the related party balances (2019: i).

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
<b>Amounts due to related parties</b>		
Trade receivables		
Zhejiang Zhongyi Medical Co., Ltd.	3,470	6,196
Dajia Medical Equipment Co., Ltd.	2,936	2,546
Others		
Jinhua Hui	5,444	4,988
Yagui Hui	5,291	6,235
Vagad Group Limited	1,539	1,517
Cihua	1,243	1,243
Zhejiang Xiyang Pharmaceutical Co., Ltd.	1,024	1,024
<b>Total</b>	<b>20,947</b>	<b>23,749</b>

The carrying amounts as at June 30, 2020 and December 31, 2019, are in the following table.

As at June 30, 2020 and December 31, 2019, the aging analysis of the following table summarizes the following:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Within 90 days	4,886	7,621
91-180 days	515	179
Over 180 days	1,005	942
	<b>6,406</b>	<b>8,742</b>

17 SHARE CAPITAL, TREASURY SHARES AND SHARE PREMIUM

Attributed  
Ordinary shares

Number of  
shares  
Nominal value  
of shares  
HKD

500,000,000

500,000

shares 0.88 shares 5.44


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18 OTHER RESERVES

	Capital reserve RMB'000	Other reserve RMB'000	Total RMB'000
<i>(Unaudited)</i>			
As at January 1, 2020	883,938	40,293	924,231
Share-based payment expense	802	-	802
	<u>884,740</u>	<u>40,293</u>	<u>925,033</u>
As at December 30, 2020	884,740	40,293	925,033
<i>(Unaudited)</i>			
As at January 1, 2019	878,445	32,013	910,458
Share-based payment expense			

20 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Accrued employee benefits	43,903	36,841
Share-based payments	15,693	16,071
Deferred advertising costs	7,397	10,870
Accrued service fees	5,868	5,556
Other payable for staff welfare	4,889	6,148
Other payable for medical insurance	1,285	1,392
Other	2,539	2,344
	<u>81,574</u>	<u>79,222</u>
Total	81,574	79,222
Less: -current	(175)	(362)
Carrying amount	<u>81,399</u>	<u>78,860</u>

The carrying amount of accrued liabilities is denominated in RMB. The carrying amount is in Renminbi.

21 BORROWINGS

	As at June 30, 2020			As at December 31, 2019		
	Current RMB' 000 (Unaudited)	Non-current RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)	Current RMB' 000 (Audited)	Non-current RMB' 000 (Audited)	Total RMB' 000 (Audited)
Bank borrowing						
Secured bank loan	105,580	69,462	175,042	74,744	99,658	174,402
Unsecured bank loan (a)	40,000	-	40,000	40,000	-	40,000
	<u>145,580</u>	<u>69,462</u>	<u>215,042</u>	<u>114,744</u>	<u>99,658</u>	<u>214,402</u>

21 BORROWINGS *continued*

- (a) Jia de H i a e e ed i f i e e- ea a ag ee e i h Ag ic a Ba r f Chi a Jia de B a ch  
Dece be 11, 2019, Ja a 15, Ja a 17, Ma ch 20 a d A i 9, 2020, e ec i e . The e ai i ga

22 CONVERTIBLE BONDS

The e e f hec e ibeb d aea f :

	Convertible Bonds			Total RMB' 000
	March 5, 2018 RMB' 000	August 7, 2018 RMB' 000	February 27, 2019 RMB' 000	
<i>(Unaudited)</i>				
As at January 1, 2020	392,174	577,039	724,217	1,693,430
Diffe e ce be ee fai a ea d i ci a a a i i i a ec g i i	2,318	(7,633)	120	(5,195)
Fai a e cha ge e i g f cha ge i				
As at June 30, 2020	<u>403,257</u>	<u>570,135</u>	<u>714,351</u>	<u>1,687,743</u>

<i>(Unaudited)</i>				
As at January 1, 2019	430,241	643,616	1,744,000	2,817,857
Fai a e cha ge e i g f cha ge i	2,318	(7,633)	120	(5,195)
As at June 30, 2019	<u>394,696</u>	<u>598,166</u>	<u>1,744,123</u>	<u>1,714,985</u>

(1,409,344)

22 CONVERTIBLE BONDS

(a) Convertible bonds issued on March 5, 2018

As at June 30, 2020, the fair value of the convertible bonds is HKD442,035,000, equivalent to RMB403,772,000, which is denominated in Renminbi Yuan.

The significant terms of the convertible bonds issued on March 5, 2018 are as follows:

	As at June 30, 2020	As at December 31, 2019
Variable	30%	30%
Time period (years)	0.68	1.18
Interest rate	1.66%	1.87%
Dividend	0.00%	0.00%

(b) Convertible bonds issued on August 7, 2018

As at June 30, 2020, the fair value of the convertible bonds is HKD619,010,000, equivalent to RMB565,428,000, which is denominated in Renminbi Yuan.

7.25% (0.7794021961%) (b) denominated in Renminbi Yuan issued on March 5, 2018 (0.70% - 1.611% TD)

22 CONVERTIBLE BONDS (continued)

(c) Convertible bonds issued on February 27, 2019

As at June 30, 2020, the fair value of convertible bonds is HKD782,138,000, which is equivalent to RMB714,437,000, which is determined based on the following factors:

The significant terms of the convertible bonds issued on February 27, 2019 are as follows:

	As at June 30, 2020	As at December 31, 2019
Warrant	30%	30%
Time to maturity (years)	3.66	4.16
Reference rate	0.98%	1.53%
Dividend yield	0.00%	0.00%

23 DEFERRED INCOME TAX

23 DEFERRED INCOME TAX *continued*

Deferred income tax liabilities

	Buildings and Intangible assets RMB' 000	Withholding tax RMB' 000	Changes in fair value RMB' 000	Interest capitalization RMB' 000	Total RMB' 000
<i>(Unaudited)</i>					
Balance at January 1, 2020	(328,597)	(21,055)	-	(435)	(350,087)
Change/(change) during the period	53,746	(3,824)	-	12	49,934
Balance at June 30, 2020	<u>(274,851)</u>	<u>(24,879)</u>	<u>-</u>	<u>(423)</u>	<u>(300,153)</u>
<i>(Unaudited)</i>					
Balance at January 1, 2019	(335,520)	(13,406)	(1,126)	(460)	(350,512)
Change/(change) during the period					



26 SIGNIFICANT RELATED PARTY TRANSACTIONS

Pa ie a e c ide ed be e a ed if e a ha he abi i , di ec i di ec , c he he a e e ci e ig ifica i f e ce e he he a i ari g fi a cia a d e a i g deci i . A a

26 SIGNIFICANT RELATED PARTY TRANSACTIONS *c i ed*

(a) Significant transactions with related parties

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (U a di ed)
Ma age e Se ice fee		
Ya g iH ia	72,758	77,577
Ji h aH ia	16,578	19,702
Ci iH ia	10,905	9,793
	<u>100,241</u>	<u>107,072</u>
P cha e f edica e i e a d ha ace ica		
Zhejia g Zh g i Medici e C ., L d.	10,881	17,825
Dajia Medica E i e C ., L d	2,981	3,026
	<u>13,862</u>	<u>20,851</u>

(b) Loans from related parties

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (U a di ed)
Begi i g f he e i d	15,007	35,929
L a ad a ced	478	5,672
L a e aid	(944)	(27,976)
T a fe f deb	-	715
	<u>14,541</u>	<u>14,340</u>

26 SIGNIFICANT RELATED PARTY TRANSACTIONS *c i ed*

(c) Loans to related parties

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(U a di ed)
Bei i g f he e i d	80,903	60,500