HYGEIA

Hygeia Healthcare Holdings Co., Limited
海 吉 亚 医 疗 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6078)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 22.8% to RMB632.3 million for the six months ended June 30, 2020 from RMB514.9 million for the same period in 2019.

Gross profit of the Group increased by 39.4% to RMB216.3 million for the six months ended June 30, 2020 from RMB155.2 million for the same period in 2019. The gross profit margin increased to 34.2% for the six months ended June 30, 2020 from 30.1% for the same period in 2019.

Net profit of the Group decreased by 81.1% to RMB2.4 million for the six months ended June 30, 2020 from RMB12.7 million for the same period in 2019. The adjusted net profit[(1)] increased by 65.4% to RMB134.0 million for the six months ended June 30, 2020 from RMB81.0 million for the same period in 2019.

Basic earnings per share of the Group decreased by 80.0% to RMB0.01 for the six months ended June 30, 2020 from RMB0.05 for the same period in 2019[(2)].

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2020.

Notes:

(1) Adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) Listing expenses; (ii) impact of the deferral of the redemption date of redeemable Shares; (iii) interest expenses of redeemable Shares; (iv) share-based compensation expenses; and (v) fair value loss for anti-dilution rights given to Mr. Zhu Yiwen. The above adjustments will only have an impact on the net profit for this fiscal year, and will no longer have a continuous impact from the next fiscal year.

(2) The decrease in basic earnings per share was mainly due to the decrease in net profit caused by the impact of the deferral of the redemption date of redeemable Shares of the Group. It should be noted that it is a one-off impact and had ceased to exist upon the Listing.

NON-IFRS MEASURES

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit and adjusted net profit margin as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's condensed consolidated statement of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS.

SUMMARY OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020	2019
	(RMB'000)	*(RMB'000)*
	(Unaudited)	*(Unaudited)*
Revenue	**632,260**	514,851
Cost of revenue	**(415,970)**	(359,693)
Gross profit	**216,290**	155,158
Selling expenses	**(5,878)**	(8,025)
Administrative expenses	**(78,628)**	(62,013)
Other income	**8,708**	5,008
Other losses-net	**(59,427)**	(11,183)
Operating profit	**81,065**	78,945
Finance income	**197**	128
Finance costs	**(48,097)**	(46,087)
Finance costs-net	**(47,900)**	(45,959)
Profit before income tax	**33,165**	32,986
Income tax expense	**(30,809)**	(20,287)
Net profit	**2,356**	12,699
Adjusted net profit(1)	**133,956**	80,989
Gross profit margin	**34.2%**	30.1%
Adjusted net profit margin(2)	**21.2%**	15.7%

Notes:

(1) Adjustments to net profit for the six months ended 30 June, 2020 include: (i) impact of the deferral of the redemption date of redeemable Shares of approximately RMB57,852,000; (ii) interest expenses of redeemable Shares of approximately RMB48,029,000; (iii) Listing expenses (after tax) of approximately RMB21,656,000; (iv) share-based compensation expenses of approximately RMB4,063,000. Adjustments to net profit for the six months ended 30 June, 2019 include: (i) interest expenses of redeemable Shares of approximately RMB43,736,000; (ii) Listing expenses (after tax) of approximately RMB5,241,000; (iii) share-based compensation expenses of approximately RMB7,958,000; and (iv) fair value loss for anti-dilution rights given to Mr. Zhu Yiwen of approximately RMB11,355,000.

(2) Adjusted net profit margin is calculated based on adjusted net profit divided by revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group has always adhered to the oncology-focused development strategy, and is committed to continuously expanding its business scale through directly operating private for-profit hospitals, operating radiotherapy centers in cooperation with third-party hospitals and managing private not-for-profit hospitals in which the Group holds organizer's interest. The Group always insists on providing high-quality medical services to all patients and placing a priority on the improvement of patient satisfaction. During the Reporting Period, the number of patient visits of the Group steadily increased, and the average spending per outpatient and inpatient visit continued to increase, which prompted the Group to continue maintaining a good momentum of development in the first half of 2020, and achieved a strong growth in overall revenue. For the six months ended June 30, 2020, the Group's revenue was RMB632.3 million, representing an increase of 22.8% over the same period last year. The following table sets forth a breakdown of revenue of the Group by service offerings for the periods indicated:

	Unaudited			
	Six months ended June 30,			
	2020		2019	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Hospital business				
– Outpatient healthcare services	**159,584**	**25.2%**	119,746	23.3%
– Inpatient healthcare services	**396,268**	**62.7%**	326,912	63.5%
Sub-total	**555,852**	**87.9%**	446,658	86.8%
Third-party radiotherapy business				
– Radiotherapy center consulting services	**23,583**	**3.7%**	23,358	4.5%
– Radiotherapy equipment licensing	**26,600**	**4.2%**	25,022	4.9%
– Radiotherapy equipment maintenance services	**22,714**	**3.6%**	16,832	3.3%
Sub-total	**72,897**	**11.5%**	65,212	12.7%
Hospital management business	**3,511**	**0.6%**	2,981	0.5%
Total	**632,260**	**100.0%**	514,851	100.0%

Hospital Business

For the six months ended June 30, 2020, the Group's revenue from hospital business was RMB555.9 million, representing an increase of 24.4% over the same period last year, among which revenue from outpatient healthcare services was RMB159.6 million, representing an increase of 33.3% over the same period last year, revenue from inpatient healthcare services was RMB396.3 million, representing an increase of 21.2% over the same period last year. The increase in revenue is due to the continued revenue growth of mature hospitals (such as the steady growth of Chengwu Hygeia Hospital, Suzhou Canglang Hospital, Longyan Boai Hospital, Shanxian Hygeia Hospital and Anqiu Hygeia Hospital) and the rapid growth of sub-new hospitals (such as the rapid revenue growth of Chongqing Hygeia Hospital and Heze Hygeia Hospital). For the six months ended June 30, 2020, the number of inpatient visits was 30,382, representing an increase of 9.2% over the same period last year; the number of outpatient visits was basically flat as that of the previous year as a result of COVID-19. The Group is committed to providing patients with high-quality one-stop oncology treatment services, resulting in a continuous increase in average revenue per patient visit. In the first half of 2020, the average spending per inpatient visit was RMB13,043, representing an increase of 11.0% from the same period last year, and the average spending per outpatient visit was RMB382, representing an increase of 34.0% over the same period last year. As of June 30, 2020, the Group operated or managed a network of 10 oncology-focused hospitals, covering seven cities in six provinces in China.

	Unaudited	
	Six months ended June 30,	
	2020	2019
Inpatient healthcare services		
Number of inpatient visits	**30,382**	27,826
Average spending per inpatient visit (RMB Yuan)	**13,043**	11,748
Outpatient healthcare services		
Number of outpatient visits	**418,226**	420,316
Average spending per outpatient visit (RMB Yuan)	**382**	285

Third-party Radiotherapy Business

The Group has adhered to the strategy of exploring cooperation opportunities for providing Radiotherapy Center Services in selected new markets and gradually expanding the Group's radiotherapy center network. For the six months ended June 30, 2020, the Group's revenue from third-party radiotherapy business was RMB72.9 million, representing an increase of 11.8% from the same period last year. The Group provides Radiotherapy Center Services to 15 hospital partners (including hospitals in which the Group holds organizer's interest) in ten provinces in China.

As of June 30, 2020, the Group has signed radiotherapy center cooperation agreements with 26 third-party hospital partners, located in 13 provinces in China. After the opening of these newly signed radiotherapy centers, the Group's radiotherapy center network will increase to 40 (excluding the existing centers whose contracts have expired). The Group believes that it will further increase the Group's revenue from third-party radiotherapy business.

Hospital Management Business

The Group manages, operates and receives management fees from private not-for-profit hospitals in which the Group holds organizer's interest.

According to the hospital management agreements, the Group has the right to charge a management fee calculated at a fixed percentage of revenue of the Managed Hospitals for a period of 40 years. For the six months ended June 30, 2020, the revenue from management business was RMB3.5 million, representing a year-on-year increase of 16.7%.

Oncology-related Business

The Group regards the development of the oncology business as its core strategy. The Group mainly focuses on developing business in non-first-tier cities and is committed to providing oncology patients with one-stop comprehensive treatment services. The oncology-related services of the Group comprise: (i) provision of oncology healthcare services in the Group's self-owned hospitals, including services such as surgery, radiotherapy, chemotherapy, immunotherapy, targeted therapy, genetic testing, oncology rehabilitation and hospice care; and (ii) services under the third-party radiotherapy business, including providing radiotherapy center consulting and technical services, licensing of the proprietary SRT equipment and provision of maintenance and technical support services in relation to the proprietary SRT equipment.

In the first half of 2020, revenue from oncology business continued to grow, increased by 31.5% from RMB227.0 million in the first half of 2019 to RMB298.5 million in the first half of 2020. Revenue from oncology business accounted for 47.2% of the consolidated revenue of the Group. Among the oncology-related services, revenue from radiotherapy-related businesses was RMB134.8 million, representing an increase of 20.3% over the same period last year, and revenue from other oncology businesses was RMB163.8 million, representing an increase of 42.4% over the same period last year.

The following table sets forth the revenue from oncology and non-oncology businesses of the Group for the periods indicated:

	Unaudited			
	Six months ended June 30,			
	2020		2019	
	(RMB'000)	***% of total revenue***	*(RMB'000)*	*% of total revenue*
Radiotherapy-related businesses				
Radiotherapy treatment business provided by self-owned hospitals	**61,879**	**9.8%**	46,834	9.1%
Third-party radiotherapy business	**72,897**	**11.5%**	65,212	12.7%
	134,776	**21.3%**	112,046	21.8%
Other oncology healthcare services	**163,770**	**25.9%**	114,993	22.3%
Total revenue from oncology business	**298,546**	**47.2%**	227,039	44.1%
Revenue from non-oncology business	**333,714**	**52.8%**	287,812	55.9%
Total	**632,260**	**100.0%**	514,851	100.0%

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of gross profit and gross profit margin of the Group by service offerings for the periods indicated:

	Unaudited			
	Six months ended June 30,			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	(RMB'000)		*(RMB'000)*	
Hospital business	**166,717**	**30.0%**	111,343	24.9%
Third-party radiotherapy business	**47,093**	**64.6%**	41,821	64.1%
Hospital management business	**2,480**	**70.6%**	1,994	66.9%
Total	**216,290**	**34.2%**	155,158	30.1%

In the first half of 2020, the gross profit of hospital business was RMB166.7 million, and the gross profit margin increased by 5.1% to 30.0% from 24.9% in the same period in 2019. The Group believes that with the steady growth in revenue from relatively mature hospitals and the rapid increase in revenue from hospitals that have been in operation for less than three years, the gradual increase in hospital revenue will further dilute related costs and continue to improve the gross profit margin of the Group. In addition, with the further increase in revenue from the third-party radiotherapy business and the hospital management business, it will also help to further improve the consolidated gross profit margin of the Group.

Business Development

In the first half of 2020, Chongqing Hygeia Hospital deployed two additional radiotherapy equipments and one PET-CT equipment, which will help the Group serve more oncology patients.

In the first half of 2020, the construction of Liaocheng Hygeia Hospital has started. Phase one will have a gross floor area of 87,000 square meters with 700 to 900 beds as planned. Liaocheng Hygeia Hospital is expected to open before the end of 2022, which will further expand the revenue scale of the Group.

In June 2020, the Group and relevant authorities in Wuxi City, Jiangsu Province signed a hospital investment intention agreement and began preparations for the construction of the hospital, which has symbolic meaning for the Group to further expand the oncology service market in the Yangtze River Delta.

In the first half of 2020, three new radiotherapy centers of the Group have entered the preparation stage (i.e. installation and commissioning), and are expected to officially open in the third quarter. In the second half of the year, the Group will continue to enrich the radiotherapy center network and further expand the scale of radiotherapy business.

Team of Medical Professionals

As of June 30, 2020, the Group had a total of 2,368 medical professionals, representing an increase of 211 from December 31, 2019, among which a total of 251 physicians were at the level of chief physicians and associate-chief physicians, representing an increase of 63 from December 31, 2019. The Group's self-owned hospitals had 180 full-time oncologists with specialities in, among others, gynecologic cancer, orthopaedic cancer, brain cancer, urologic cancer, hematologic cancer and gastrointestinal cancer, endocrine cancer, ophthalmic cancer as well as head and neck cancer. The Group will continue to seek and recruit experienced medical professionals to join the Group's medical team.

Honors

The Group has always complied with various requirements related to medical insurance compliance. In July 2020, Suzhou Canglang Hospital won the honor of 2019 Advanced Medical Insurance Designated Hospital in Suzhou Industrial Park (二零一九年度蘇州工業園區醫療保險先進定點醫院).

In January 2020, Anqiu Hygeia Hospital was awarded as the 2019 Anqiu Excellent Social Medical Institution (二零一九年度安丘市優秀社會辦醫機構) by Anqiu Health Bureau.

The Group has made great achievements in scientific research. In the first half of 2020, the Group published more than 20 articles in national journals and obtained four patents. With the continuous enhancement of scientific research capabilities, the Group will be able to provide patients with better services.

Fighting against COVID-19

COVID-19 has no significant adverse impact on the Group. The Group has taken the following preventive measures to respond to COVID-19: (i) be equipped with adequate masks, gloves and other necessary protective materials to protect medical staffs and patients; (ii) hospitals of the Group shall strictly abide by the safety and prevention guidelines and requirements in relation to COVID-19 announced by local medical administrative departments; (iii) all employees are required to have their temperature checked before entering the work place, and daily sample temperature checks will also be conducted at the work place; and (iv) all employees shall maintain good personal hygiene, and employees with symptoms of respiratory diseases are prohibited from being on duty.

During the outbreak of COVID-19, Suzhou Canglang Hospital, Longyan Boai Hospital, Chongqing Hygeia Hospital, Chengwu Hygeia Hospital and Shanxian Hygeia Hospital opened online consulting service to better serve patients.

Business Prospects

The demand for cancer medical services in the Chinese market is gradually increasing. According to Frost & Sullivan's analysis, the revenue of the entire cancer medical service market will reach RMB700 billion in 2025 at a CAGR of approximately 11.5% from 2020 to 2025. Radiotherapy, as one of the three important means of treating malignant tumors, has a penetration rate in China (23%) that lags far behind the Western countries (60%). According to the information published in foreign journals, approximately 60% to 70% of patients with malignant tumors shall receive radiotherapy treatment. By offering services that are able to treat any type of condition requiring radiotherapy and leveraging the Group's market leadership and the established brand awareness, the Group believes that it is well positioned to capture the significant opportunities in this underserved market.

Looking into the future, the Group expects to:

(1) adhere to the concept of Hygeia to make healthcare services more accessible and affordable, put patient satisfaction as the first priority, continuously improve the service quality and medical standards, and further enhance our brand awareness. The Group will invest in and utilize new and advanced technologies and equipment, and address full cycle of care for oncology patients by providing post-treatment rehabilitation services and offering hospice care for end-of-life patients;

(2) continue to promote the preparation and construction of the planned self-established hospitals and further expand the reserve of the newly established hospitals at the same time, as well as complete the relevant procedures with high standard, high quality, high efficiency and at lower costs; meanwhile, actively search for M&A targets with high-quality medical resources, closely follow up key M&A projects, and strive to do well in post-investment integration works;

(3) upgrade the existing in-network hospitals of the Group so as to increase its service capacity and widen its service offerings; and continue to promote the signing of contracts for radiotherapy centers and accelerate the opening of the contracted radiotherapy centers at the same time;

(4) further strengthen team building and obtain more high-caliber medical personnel through internal training and external recruitment, so as to improve the quality of healthcare services provided by the in-network hospitals of the Group and further enhance the patient satisfaction and brand awareness of the Group; in addition, increase communication and collaboration among our oncologists and other specialists and with well-respected domestic and overseas medical institutions in order to further improve academic standards;

(5) continue to optimize the organizational structure and performance evaluation mechanism at the hospital level to improve the efficiency of hospital operation and management; and effectively reduce the operating costs by improving the hospitals' supply chain management ability;

(6) continue to strictly abide by the relevant regulations of medical insurance reimbursement and improve the level of compliance so as to avoid potential risks; and

(7) continue to implement the standardized management as a listed company, strengthen the communication with regulatory authorities such as the Stock Exchange and promote the integrated corporate governance to the next level.

Financial Review

Revenue

During the Reporting Period, the Group's revenue was generated primarily from (i) operating private for-profit hospitals; (ii) operating radiotherapy centers and other third-party radiotherapy business; and (iii) managing private not-for-profit hospitals in which the Group holds organizer's interest.

The Group's revenue increased by 22.8% to RMB632.3 million for the six months ended June 30, 2020 from RMB514.9 million for the same period in 2019.

Hospital Business

The Group's revenue from hospital business increased by 24.4% to RMB555.9 million for the six months ended June 30, 2020 from RMB446.7 million for the same period in 2019. The increase in revenue from hospital business was primarily caused by the following two aspects: (i) revenue from mature hospitals continued to increase as a result of business expansion, including a year-on-year increase of revenue from Chengwu Hygeia Hospital, Suzhou Canglang Hospital, Longyan Boai Hospital, Shanxian Hygeia Hospital and Anqiu Hygeia Hospital by 75.8%, 41.3%, 13.5%, 6.5% and 108.8%, respectively; and (ii) revenue from sub-new hospitals increased rapidly, including a year-on-year increase of revenue from Chongqing Hygeia Hospital and Heze Hygeia Hospital by 33.0% and 31.8%, respectively.

Third-party Radiotherapy Business

The Group's revenue from third-party radiotherapy business increased by 11.8% to RMB72.9 million for the six months ended June 30, 2020 from RMB65.2 million for the same period in 2019, primarily because the revenue from technical support services related to third-party radiotherapy increased by RMB5.9 million.

Hospital Management Business

The Group's revenue from hospital management business increased by 16.7% to RMB3.5 million for the six months ended June 30, 2020 from RMB3.0 million for the same period in 2019.

Cost of Revenue

During the Reporting Period, the Group's cost of revenue primarily consisted of cost of pharmaceuticals, consumables and other inventories, employee benefits expenses, Radiotherapy Center Services fees, depreciation and amortization, consultancy and professional service fees, utilities, cleaning and gardening expenses, repair and maintenance expenses, as well as travelling, entertainment, vehicle and office expenses.

The Group's cost of revenue increased by 15.7% to RMB416.0 million for the six months ended June 30, 2020 from RMB359.7 million for the same period in 2019, primarily due to (i) the increase in the scale of revenue; and (ii) the increase in direct costs as a result of the increase of business volume, including increase in cost of pharmaceuticals, consumables and other inventories of RMB26.5 million compared with that of last period, increase in employee benefits expenses of RMB24.3 million compared with that of last period, and increase in depreciation and amortization in indirect costs of RMB3.3 million as a result of capital expenditure required for business expansion.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 39.4% to RMB216.3 million for the six months ended June 30, 2020 from RMB155.2 million for the same period in 2019.

The Group's gross profit margin increased to 34.2% for the six months ended June 30, 2020 from 30.1% for the same period in 2019. The increase in gross profit margin was mainly due to the rapid expansion of revenue scale of hospital business and the full manifestation of the dilution of costs. At the same time, the Group's brand influence and academic competence featured with oncology continued to be improved, and the revenue structure was further optimized. The proportion of the Group's oncology-related revenue to the total revenue increased from 44.1% for the same period last year to 47.2% in the current period. The average spending per outpatient visit and average spending per inpatient visit of our self-operated hospitals increased by 34.0% and 11.0%, respectively as compared with those of last period.

Selling Expenses

During the Reporting Period, The Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. The Group's selling expenses decreased by 26.3% to RMB5.9 million for the six months ended June 30, 2020 from RMB8.0 million for the same period in 2019, primarily because no new hospital was opened in the first half of 2020, and thus no more advertising expense was incurred.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of employee benefits expenses, consultancy and professional service fees of our Directors, senior management and administrative staff, depreciation and amortization, travelling, entertainment, vehicle and office expenses, utilities, cleaning and gardening expenses, repair and maintenance expenses, taxation expenses and expenses in relation to the Listing.

The Group's administrative expenses increased by 26.8% to RMB78.6 million for the six months ended June 30, 2020 from RMB62.0 million for the same period in 2019, primarily due to the increase in Listing expenses of RMB17.6 million.

Other Income

During the Reporting Period, the Group's other income primarily consisted of government grants and wealth management income, while government grants were primarily comprised of (i) grants that are related directly to expense items and recognized when received in our condensed consolidated statement of comprehensive income; and (ii) grants that are related to assets and are recognized as deferred revenue when received in our condensed consolidated statement of financial position, which are subsequently released to the condensed consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets.

The Group's other income increased by 74.0% to RMB8.7 million for the six months ended June 30, 2020 from RMB5.0 million for the same period in 2019, primarily due to the increase in income from government grants of RMB2.0 million.

Other Losses – Net

During the Reporting Period, the Group's net other losses primarily consisted of loss arising from deferral of the redemption date of redeemable Shares, loss from disposal of fixed assets and fair value loss for anti-dilution rights given to Mr. Zhu Yiwen. Net other losses increased by 430.4% to RMB59.4 million for the six months ended June 30, 2020 from RMB11.2 million for the same period in 2019, primarily because the Group entered into a redemption date deferral agreement in February 2020, resulting in a loss of RMB57.9 million. The redeemable Shares had been converted into ordinary Shares on the Listing Date. These expenses were one-off expenses and would not affect the net profits of the Group for the second half of 2020 and subsequent years.

Finance Income and Costs

During the Reporting Period, the Group's finance income consisted of interest income on our bank savings. Finance income increased to RMB0.2 million for the six months ended June 30, 2020 from RMB0.1 million for the same period in 2019.

The Group's finance costs were mainly comprised of our interest expenses on bank borrowings, interest expenses on lease liabilities and interest expenses on redeemable Shares. The Group's finance costs increased by 4.3% to RMB48.1 million for the six months ended June 30, 2020 from RMB46.1 million for the same period in 2019. The redeemable Shares had been converted into ordinary Shares on the Listing Date. These expenses were one-off expenses and would not affect the net profits of the Group for the second half of 2020 and subsequent years.

Income Tax Expense

The Group's income tax expense increased by 51.7% to RMB30.8 million for the six months ended June 30, 2020 from RMB20.3 million for the same period in 2019, primarily due to the increase of RMB56.5 million in profits before tax after deduction of adjustment items that are not deductible for tax purposes, such as Listing expenses, effect of deferral of the redemption date of redeemable Shares and interest expenses of redeemable Shares.

Net Profit and Adjusted Net Profit

As a result of the foregoing, the Group's net profit decreased by 81.1% to RMB2.4 million for the six months ended June 30, 2020 from RMB12.7 million for the same period in 2019. The Group's net profit margin decreased to 0.4% for the six months ended June 30, 2020 from 2.5% for the same period in 2019. The Group defined adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including share-based compensation expenses, interest expenses of redeemable Shares, expenses in relation to the Listing, effect of deferral of the redemption date of redeemable Shares and fair value loss for anti-dilution rights given to Mr. Zhu Yiwen. The Group's adjusted net profit increased by 65.4% to RMB134.0 million for the six months ended June 30, 2020 from RMB81.0 million for the same period in 2019.

Liquidity and Capital Resources

The Group's business operations and expansion plans require a significant amount of capital, including upgrading the existing hospitals in our network, establishing and acquiring new hospitals and other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings and capital contributions from Shareholders. As of June 30, 2020, the Group had cash and cash equivalents of RMB2,236.8 million.

Operating Activities

The Group derived our cash inflow from operating activities primarily through provision of healthcare services and hospital management services as well as provision of radiotherapy center consulting services, licensing of radiotherapy equipment and provision of maintenance and technical support services. Cash outflow from operating activities was primarily comprised of payments for procurement of pharmaceuticals and medical consumables, employee benefits expenses, and other operating expenses.

The Group's net cash generated from operating activities increased by 16.1% to RMB126.8 million for the six months ended June 30, 2020 from RMB109.2 million for the same period in 2019, primarily attributable to the increase in the overall revenue of the Group.

Investing Activities

The Group's cash used in investing activities mainly reflected cash used in payments for purchases of property, plant and equipment and payments for financial assets at fair value through profit or loss. The Group's cash generated from investing activities was mainly comprised of proceeds from disposal of financial assets at fair value through profit or loss and proceeds from disposal of subsidiaries.

The Group's net cash used in investing activities decreased by 40.5% to RMB151.9 million for the six months ended June 30, 2020 from RMB255.5 million for the same period in 2019, primarily attributable to the payment of land costs of RMB95.0 million for the construction of Liaocheng Hygeia Hospital in 2020 and that the time deposit of RMB202.1 million purchased in 2019, had not yet been due for redemption in June 2019.

Financing Activities

During the Reporting Period, cash inflow from financing activities was mainly comprised of bank borrowings, investment from institutional investors before Listing and proceeds from the Listing. Cash outflow from the Group's financing activities was mainly comprised of repayments of bank borrowings and payment for Listing expenses.

The Group's net cash generated from financing activities increased by 296.9% to RMB1,868.7 million for the six months ended June 30, 2020 from RMB470.8 million for the same period in 2019, primarily due to the receipt of proceeds from the Listing of RMB2,024.3 million by the Group on June 29, 2020.

Significant Investments, Material Acquisitions and Disposals

As of June 30, 2020, there was no significant investment held by the Group. For the six months ended June 30, 2020, the Group did not make material acquisitions or disposals of subsidiaries, associates and joint venture.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily consisted of expenditures on (i) property, plant and equipment, mainly comprising equipment for construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 110.2% to RMB157.0 million for the six months ended June 30, 2020 from RMB74.7 million for the same period in 2019, which was primarily attributable to the payment of land costs of RMB95.0 million for the construction of Liaocheng Hygeia Hospital in 2020.

Financial Position

Total Assets and Total Liabilities

As of June 30, 2020, the Group's total assets mainly consisted of cash and cash equivalents, trade, other receivables and prepayments, fixed assets and intangible assets. The Group's total assets increased by 90.8% to RMB4,221.8 million as of June 30, 2020 from RMB2,213.2 million as of December 31, 2019, primarily due to the receipt of proceeds from the Listing of RMB2,024.3 million by the Group on June 29, 2020.

As of June 30, 2020, the Group's total liabilities mainly consisted of trade and other payables, current income tax liabilities, deferred income tax liabilities, deferred revenue and redeemable Shares. The Group's total liabilities decreased by 85.9% to RMB341.8 million as of June 30, 2020 from RMB2,415.8 million as of December 31, 2019, which was primarily because the redeemable Shares, which had been converted into ordinary Shares on the Listing Date, decreased by RMB2,030.1 million.

Inventories

During the Reporting Period, the Group's inventories mainly consisted of pharmaceuticals, medical consumables and spare parts. The Group's inventories decreased by 6.2% to RMB44.1 million as of June 30, 2020 from RMB47.0 million as of December 31, 2019, primarily due to the expansion of revenue scale, which accelerated the inventory turnover.

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances due from the patients and public medical insurance programs for healthcare services provided by our self-owned hospitals, hospital partners for our Radiotherapy Center Services and other licensees of our proprietary SRT equipment. The balance of the Group's trade receivables increased by 12.2% to RMB225.7 million as of June 30, 2020 from RMB201.1 million as of December 31, 2019, primarily due to the increase in balance of medical insurance receivables of RMB15.1 million as a result of the increase in revenue.

The Group's other receivables mainly represented deposits receivables and amounts due from employees for share incentive plan. The Group's other receivables increased by 353.4% to RMB46.7 million as of June 30, 2020 from RMB10.3 million as of December 31, 2019, primarily due to an additional RMB33.4 million due from employees for share incentive plan in 2020, which had been fully received before the date of this announcement.

The Group's prepayments to suppliers represented amounts prepaid for procurement of pharmaceuticals and medical consumables, prepayments made by the Group to contract manufacturers and prepaid Listing expenses. The Group's prepayments to suppliers decreased by 6.6% to RMB12.7 million as of June 30, 2020 from RMB13.6 million as of December 31, 2019.

The Group's prepayments for property, plant and equipment represent prepaid construction fees to contractors which undertook the construction work of our self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment increased by 37.5% to RMB25.3 million as of June 30, 2020 from RMB18.4 million as of December 31, 2019, primarily due to the increase in prepayments for purchase of large medical equipment of RMB12.0 million.

Intangible Assets

The Group's intangible assets were primarily comprised of goodwill, software, contractual rights to provide management services, and medical licenses. The Group's intangible assets decreased by 0.5% to RMB383.9 million as of June 30, 2020 from RMB385.7 million as of December 31, 2019, primarily due to the gradual decrease in net intangible assets as a result of an increase in accumulated amortization amounts.

Trade and Other Payables

Trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of Radiotherapy Center Services. The Group's trade payables decreased by 5.3% to RMB107.0 million as of June 30, 2020 from RMB113.0 million as of December 31, 2019.

The Group's other payables primarily represented salaries payables, other taxes payables, Listing expenses payables, payables for construction projects, and prepayments received for radiotherapy equipment licensing. The Group's other payables decreased by 13.2% to RMB129.7 million as of June 30, 2020 from RMB149.5 million as of December 31, 2019, primarily because the unpaid dividends of RMB41.9 million existed in 2019.

Borrowings

The Group had no outstanding borrowings as of June 30, 2020.

Pledge of Assets

The Group had no pledged asset as of June 30, 2020.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities decreased by 34.3% to RMB6.5 million as of June 30, 2020 from RMB9.9 million as of December 31, 2019, primarily due to advances received from inpatients decreased by RMB3.5 million as of June 30, 2020.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of June 30, 2020 were primarily related to commitments for (i) the construction and renovation of its in-network hospitals; (ii) purchases of large equipment; and (iii) purchases of cobalt-60 source. The Group's capital commitments decreased by 41.4% to RMB21.1 million as of June 30, 2020 from RMB36.0 million as of December 31, 2019, primarily due to the commitments related to purchases of cobalt-60 source of RMB16.7 million in 2019, which did not occur in 2020.

Contingent Liabilities

As of June 30, 2020, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

The financial instruments of the Group mainly consisted of cash and cash equivalents, amounts due from related parties, trade and other receivables excluding non-financial assets, trade and other payables excluding non-financial liabilities, lease liabilities and amounts due to related parties.

Gearing Ratio

On the basis of total borrowings divided by total equity and multiplied by 100%, the gearing ratio of the Group as of June 30, 2020 was nil.

Foreign Exchange Risk

The Group has no significant foreign currency risk as all of its operations are dominated in RMB which is also its functional currency.

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

Credit Risk

The Group's credit risk is primarily attributable to trade and other receivables, amounts due from related parties, financial asset at fair value through profit or loss and cash deposits at banks. The maximum exposure to credit risk is represented by the carrying amounts of these financial assets in the condensed consolidated statement of financial position. Management of the Group puts in place a credit policy and the exposure to these credit risks is monitored on an on-going basis.

To manage the Group's credit risk arising from financial asset at fair value through profit or loss and cash deposits, the Group only transacts with state-owned financial institutions in the PRC and reputable international financial institutions. There has been no recent history of default in relation to these financial institutions.

For hospital business, the Group, being a healthcare service provider, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has a relatively concentrated debtor's portfolio, as majority patients settle their medical fees through public medical insurance programs, and the reimbursement from which may take one to 12 months. The Group has policies in place to ensure the medical services it provided are in line with the requirements of public medical insurance programs and it closely monitors the status of overdue payment to ensure timely collection. For trade receivables of the Group's third-party radiotherapy business and hospital management business, the Group generally grants credit terms of up to 90 days and follow up actively on the settlement with relevant customers to avoid overdue receivables.

For other receivables and amounts due from related parties, the Group's management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

Liquidity Risk

The Group manages liquidity risk by closely and continuously monitoring its financial position. The Group aims to maintain adequate cash and cash equivalents to meet its liquidity requirements.

INTERIM DIVIDENDS

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2020.

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

The Company issued 120,000,000 Shares in Global Offering at HK$18.50 which were listed on the Main Board of the Stock Exchange on June 29, 2020 and issued 18,000,000 Shares at HK$18.50 upon full exercise of the over-allotment option.

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$2,391.9 million, which will be utilized in accordance with the purposes as set out in the Prospectus. The following table sets out the planned applications of the net proceeds, actual usage up to June 30, 2020 as well as the expected timeline for utilisation:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering and utilisation			Expected timeline for utilisation[1]
		Amount available for utilization	Amount utilized	Remaining amount	
		HK$ in million	*HK$ in million*	*HK$ in million*	
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	60%	1,435.1	–	1,435.1	From Sep 2020 to Jun 2024
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	30%	717.6	–	717.6	From Sep 2020 to Jun 2024
Upgrading information technology systems	5%	119.6	–	119.6	From Dec 2020 to Jun 2024
Working capital and other general corporate purposes	5%	119.6	–	119.6	From Dec 2020 to Jun 2024
Total	**100%**	**2,391.9**	**–**	**2,391.9**	

Note:

(1) The expected timeline for the usage of the remaining proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.

Since the Listing Date and as of June 30, 2020, the Group has not utilized any net proceeds from the listing, which were deposited in banks as of June 30, 2020. The Group will gradually utilize the proceeds from the Listing in accordance with the intended purposes.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Since the Listing Date and up to June 30, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2020, the Group had 2,778 full-time employees, among which 50 were employees at the headquarters level and 2,728 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of that date:

Functions	Number of Employees	% of Total Employees
Headquarters level		
Management	5	0.2%
Operations	10	0.4%
Manufacturing	17	0.6%
Administrative and others	18	0.6%
Subtotal	**50**	**1.8%**
Self-owned hospitals		
Physicians	680	24.5%
Other medical professionals	1,356	48.8%
Management, administrative and others	692	24.9%
Subtotal	**2,728**	**98.2%**
Total	**2,778**	**100.0%**

In addition, as of June 30, 2020, the Group's Managed Hospitals in operation had an aggregate of 323 full-time employees, including 65 physicians, 135 other medical professionals and 123 management, administrative and other personnel.

The Group believes it has maintained good relationships with its employees. Employees of our in-network hospitals are not represented by a labor union. As of the date of this announcement, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

The employees of the Group typically enter into standard employment contracts with the Group. Each in-network hospital independently recruits and enters into employment contracts with its own employees.

The Group provides both in-house and external trainings for its employees to improve their skills and knowledge. Remuneration packages for the employees of the Group mainly comprise base salary and performance-related bonus. The Group sets performance targets for its employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. During the Reporting Period, the Group contributed to social insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Shares were not listed on the Stock Exchange as of June 29, 2020. Therefore, the CG Code contained in Appendix 14 of the Listing Rules was not applicable to the Company before that date. The Company has adopted the CG Code as its own code of corporate governance and is committed to maintaining high standards of ethics, transparency, responsibility and integrity in all aspects, to ensure that its affairs are conducted in accordance with applicable laws and regulations, and to enhance the transparency and accountability of the Board to the shareholders. The Company has complied with all applicable code provisions of the CG Code since the Listing Date and up to the date of this announcement. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Since the Shares were not listed on the Stock Exchange as of June 29, 2020, the Model Code contained in Appendix 10 of the Listing Rules was not applicable to the Company before that date. The Company has adopted the Model Code as its code of conduct for Directors' trading of the securities of the Company. Having made specific enquiry of all Directors, they confirmed that they had complied with the standards stated in the Model Code throughout the period from Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, being Mr. Ye Changqing (chairman of the Audit Committee), Mr. Liu Yanqun and Mr. Fang Min. The primary duties of the Audit Committee include, among others, reviewing the Company's compliance, accounting policies and financial reporting procedures, supervising the implementation of the Company's internal audit system, advising on the appointment or replacement of external auditors, liaising between internal audit department and external auditors, and other responsibilities as authorized by the Board.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2020 and considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

EVENTS AFTER THE REPORTING PERIOD

On July 22, 2020, the 18,000,000 Shares issued by the Company at HK$18.50 per Share upon full exercise of the over-allotment option were listed and traded on the Main Board of the Stock Exchange.

Save as disclosed above, there was no significant event that might affect the Group after the Reporting Period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hygeia-group.com.cn), and the 2020 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended June 30, 2020 together with the comparative figures for the same period in 2019:

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended June 30,	
	Notes	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*4*	**632,260**	514,851
Cost of revenue	*4*	**(415,970)**	(359,693)
Gross profit		**216,290**	155,158
Selling expenses		**(5,878)**	(8,025)
Administrative expenses		**(78,628)**	(62,013)
Other income	*5*	**8,708**	5,008
Other losses-net	*6*	**(59,427)**	(11,183)
– Other losses-effect of deferral of the redemption date	*6*	**(57,852)**	–
– Other losses-others	*6*	**(1,575)**	(11,183)
Operating profit		**81,065**	78,945
Finance income	*7*	**197**	128
Finance costs	*7*	**(48,097)**	(46,087)
– Finance costs-interest expenses of redeemable shares	*7*	**(48,029)**	(43,736)
– Finance costs-others	*7*	**(68)**	(2,351)
Finance costs-net		**(47,900)**	(45,959)
Profit before income tax		**33,165**	32,986
Income tax expense	*8*	**(30,809)**	(20,287)
Profit and total comprehensive income for the period		**2,356**	12,699
Profit and total comprehensive income attributable to			
– Owners of the Company		**2,356**	12,699
– Non-controlling interests		**–**	–
Earnings per share (expressed in RMB per share)			
– Basic earnings per share (in RMB)	*9*	**0.01**	0.05
– Diluted earnings per share (in RMB)	*9*	**0.01**	0.04

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**Unaudited** As at June 30, 2020	Audited As at December 31, 2019
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,225,351**	1,122,461
Intangible assets		**383,906**	385,706
Prepayments for non-current assets		**25,341**	18,420
Deferred income tax assets		**14,723**	18,072
Total non-current assets		**1,649,321**	1,544,659
Current assets			
Inventories		**44,097**	47,016
Trade, other receivables and prepayments	*10*	**285,073**	224,936
Amounts due from related parties		**6,531**	3,169
Cash and cash equivalents	*11*	**2,236,813**	393,409
Total current assets		**2,572,514**	668,530
Total assets		**4,221,835**	2,213,189
Equity			
Equity attributable to owners of the Company			
Share capital and premium	*12*	**6,836,911**	2,731,464
Shares held for employee share scheme		**–***	–*
Other reserves		**(2,772,461)**	(2,680,702)
Accumulated losses		**(251,012)**	(253,368)
		3,813,438	(202,606)
Non-controlling interests		**66,634**	–
Total equity/(deficits)		**3,880,072**	(202,606)

* The balance represents an amount less than RMB1,000.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited	Audited
	Notes	**As at June 30, 2020**	As at December 31, 2019
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**36,527**	32,668
Deferred revenue		**27,154**	28,314
Lease liabilities		**663**	1,307
Redeemable shares		**–**	631,674
Other non-current liabilities		**7,935**	7,651
Total non-current liabilities		**72,279**	701,614
Current liabilities			
Trade and other payables	*13*	**236,730**	262,474
Amounts due to related parties		**178**	16,678
Contract liabilities		**6,465**	9,882
Current income tax liabilities		**24,815**	25,454
Lease liabilities		**1,296**	1,297
Redeemable shares		**–**	1,398,396
Total current liabilities		**269,484**	1,714,181
Total liabilities		**341,763**	2,415,795
Total equity and liabilities		**4,221,835**	2,213,189

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on September 12, 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the following businesses in the People's Republic of China (the "**PRC**").

(i) Provision of healthcare services (the "**Hospital Business**") through self-owned private for-profit hospitals which are variable interest entities owned by the Group by undertaking a group reorganization (the "**VIE Hospitals**")

(ii) (a) Provision of radiotherapy center consulting services;

(b) Licensing of radiotherapy equipment for use in the radiotherapy centers; and

(c) Provision of maintenance and technical support services in relation to radiotherapy equipment (the "**Radiotherapy Business**")

(iii) Provision of management services to private not-for-profit hospitals (the "**Hospital Management Business**")

These businesses are controlled by Mr. Zhu Yiwen (朱義文, "**Mr. Zhu**").

The Company completed its IPO and listed its shares on Main Board of The Stock Exchange of Hong Kong Limited (the "**HKSE**") on June 29, 2020.

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and rounded to nearest thousand yuan, unless otherwise stated.

2. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial information should be read in conjunction with the Appendix I — Accountant's Report as set out in the prospectus of the Company dated June 16, 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended June 30, 2019 has not been audited or reviewed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the Appendix I – Accountant's Report as set out in the prospectus of the Company dated June 16, 2020 for the years ended December 31, 2017, 2018 and 2019, except for the adoption of new and amended standards as set out below.

The preparation of interim financial information in conformity with International Accounting Standard 34 "Interim Financial Reporting" requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Amendments to IFRSs effective for the financial year beginning on or after January 1, 2020 but do not have a material impact on the Group

		Effective for annual periods beginning on or after
IFRS 3 (amendments)	Definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7 (amendments)	Interest Rate Benchmark Reform	January 1, 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	January 1, 2020
Amendments to IFRS 16	Covid-19-related rent concession	June 1, 2020

New standards and interpretations not yet been adopted

Standards, amendments and interpretations that have been issued but not yet effective have not been early adopted by the Group, are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2022
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 37	Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use	January 1, 2022
Annual improvements project	Annual improvements 2018-2020 cycle	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

4. SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Hospital Business
- Radiotherapy Business
- Hospital Management Business

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment cost of sales, gross profit, and operating profit/(loss). Interest expenses of redeemable shares and income tax expense are not allocated to individual operating segments. The CODM assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

	Unaudited				
	Six months ended June 30, 2020				
	Hospital Business	**Radiotherapy Business**	**Hospital Management Business**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**555,852**	**72,897**	**3,511**	**–**	**632,260**
Cost of revenue	**(389,135)**	**(25,804)**	**(1,031)**	**–**	**(415,970)**
Gross profit	**166,717**	**47,093**	**2,480**	**–**	**216,290**
Selling expenses	**(5,878)**	**–**	**–**	**–**	**(5,878)**
Administrative expenses	**(40,035)**	**(6,361)**	**–**	**(32,232)**	**(78,628)**
Other income	**1,893**	**36**	**–**	**6,779**	**8,708**
Other losses – net	**(549)**	**(851)**	**–**	**(58,027)**	**(59,427)**
Segment profit/(loss)	**122,148**	**39,917**	**2,480**	**(83,480)**	**81,065**
Finance income					**197**
Finance costs					**(48,097)**
Finance costs – net					**(47,900)**
Profit before income tax					**33,165**
Other segment information					
Depreciation of property, plant, and equipment	**29,204**	**4,729**	**–**	**900**	**34,833**
Amortization of intangible assets	**1,654**	**–**	**788**	**45**	**2,487**

Revenue by business line and nature

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Hospital Business		
– Outpatient healthcare services	**159,584**	119,746
– Inpatient healthcare services	**396,268**	326,912
Third-party Radiotherapy Business		
– Radiotherapy center consulting services	**23,583**	23,358
– Radiotherapy equipment licensing	**26,600**	25,022
– Radiotherapy equipment maintenance services	**22,714**	16,832
Hospital Management Business		
– Hospital management services	**3,511**	2,981
Total revenue	**632,260**	514,851

5. OTHER INCOME

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grants (a)	**4,894**	2,944
Realised and unrealised gains on financial assets at FVPL	**3,388**	1,849
Others	**426**	215
	8,708	5,008

(a) The government grants include those grants from the local government in recognition of the contribution of the Group to local economy's development and those asset-related subsidies credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

6. OTHER LOSSES – NET

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Effect of deferral of the redemption date of redeemable shares	**(57,852)**	–
Losses on disposal of property, plant and equipment	**(1,094)**	(2,263)
Surcharge for tax overdue payment	**–**	(1,616)
Net foreign exchange (losses)/gains	**(205)**	4,314
Fair value loss for anti-dilution rights given to Mr. Zhu (a)	**–**	(11,355)
Others	**(276)**	(263)
	(59,427)	(11,183)

(a) In October 2015, the Shareholders agreed to grant Mr. Zhu the anti-dilution rights for 5% of shares held by him during all equity financing afterwards. The amount is the fair value loss of the anti-dilution right during 2019 equity financing.

7. FINANCE COSTS – NET

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Finance income:		
Interest income of bank savings	**197**	128
Finance costs:		
Interest expenses on borrowings	**–**	(2,248)
Interest expenses on leasing liabilities	**(68)**	(103)
Interest expenses of redeemable shares (a)	**(48,029)**	(43,736)
	(48,097)	(46,087)
Finance costs – net	**(47,900)**	(45,959)

(a) Interest expenses of redeemable Shares represents interest expenses on redeemable Shares held by our Pre-IPO Investors, which will no longer incurred after the listing of the Company on June 29, 2020.

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax		
– PRC corporate income tax	**23,601**	22,438
Deferred income tax	**7,208**	(2,151)
	30,809	20,287

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its Shareholders.

British Virgin Islands

The Group's entity incorporated in the British Virgin Islands is not subject to tax on income or capital gains.

Hong Kong

The Group's entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%.

PRC corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25%.

The Company's subsidiary, Chongqing Hygeia Hospital was established in Chongqing. Pursuant to the relevant laws and regulations, Chongqing Hygeia Hospital is subject to a tax concession rate of 15% from 2018 to 2020.

The Company's subsidiary, Gamma Star Tech, was approved as high and new technology enterprises under the relevant tax rules and regulations of the PRC, and accordingly, is subjected to a reduced preferential CIT rate of 15% during the period.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at December 31, 2019 and June 30, 2020, the Group has deficits in retaining earnings, so no withholding tax is provided.

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary Shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2019 and 2020.

The weighted average number of ordinary Shares has been retrospectively adjusted for the effect of the issue of Shares in connection with the Reorganization completed on June 3, 2019 and the share subdivision on September 18, 2019 whereby each ordinary Share was subdivided into 10 ordinary shares. Redeemable Shares that are contingently returnable are not treated as outstanding and are excluded from the calculation of basic earnings per share.

Capitalization Issue of 462,758,440 ordinary Shares was effective on June 29, 2020, the date that the Company was listed on the Main Board of HKSE. Accordingly, the weighted average number of ordinary shares in issue has been adjusted retrospectively as if it was effective from the date of the beginning.

	Six months ended June 30,	
	2020	2019
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	**2,356**	12,699
Weighted average number of shares in issue	**280,582,029**	276,777,881
Basic earnings per share (in RMB)	**0.01**	0.05

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary Shares outstanding to assume conversion of all dilutive potential ordinary Shares. Only for the six months ended June 30, 2019, the Company had one round of redeemable shares. As the inclusion of interest expenses on redeemable shares would increase the profit for the six months ended June 30, 2019 and 2020, those redeemable shares were not included in the calculation of the diluted earnings per share as their inclusion would be anti-dilutive.

	Six months ended June 30,	
	2020	2019
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	**2,356**	12,699
Adjustments for the dilution effect of a subsidiary's restricted share scheme (RMB'000)	**(656)**	(572)
Diluted profit attributable to owners of the Company (RMB'000)	**1,700**	12,127
Weighted average number of shares in issue	**280,582,029**	276,777,881
Adjustments for restricted share scheme	**4,220,184**	3,442,742
Weighted average number of shares for calculating diluted earnings per share	**284,802,213**	280,220,623
Diluted earnings per share (in RMB)	**0.01**	0.04

10. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Included in current assets		
Trade receivables	**225,683**	201,078
Other receivables		
– Deposits receivables	**6,228**	6,150
– Employee shares scheme consideration from employee for exercising (a)	**33,375**	–
– Others	**7,060**	4,109
	46,663	10,259
Prepayments to suppliers	**12,369**	6,641
Prepayments for other taxes	**358**	609
Prepayment for listing related expenses	**–**	6,349
	12,727	13,599
	285,073	224,936
Included in non-current assets		
Prepayments for property, plant and equipment	**25,341**	18,420
	310,414	243,356

(a) This amount has been fully received prior to the published date of the report.

The following is an ageing analysis of trade receivables presented based on invoice date:

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 90 days	**162,048**	123,251
91 to 180 days	**39,290**	42,788
181 to 365 days	**18,691**	33,371
1 to 2 years	**5,654**	1,668
	225,683	201,078

The Group's trade receivables were denominated in RMB.

11. CASH AND CASH EQUIVALENTS

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Cash at bank and in hand	**2,236,813**	393,409
	2,236,813	393,409

Cash and deposits were denominated in the following currencies:

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
RMB	**2,095,829**	373,046
USD	**2,278**	19,376
HKD	**138,706**	987
	2,236,813	393,409

12. SHARE CAPITAL AND SHARE PREMIUM

	Unaudited			
	Number of shares	**Nominal value of shares**	**Equivalent nominal value of shares**	**Share premium**
		USD	*RMB'000*	*RMB'000*
Authorised:				
Ordinary Shares of USD0.0001 each				
January 1, 2019	500,000,000	50,000	–	–
Share subdivision on September 18, 2019 (e)	4,500,000,000	–	–	–
As of June 30,2020	5,000,000,000	50,000	–	–
Issued and fully paid:				
Issuance of ordinary Shares on January 1, 2019	1,005,971	100.6	–	–
Issuance of ordinary Shares with redemption right and completion of the Reorganization of the Group (c)	614,451	61.4	–	2,762,050
Issuance of ordinary Shares with redemption right	76,680	7.7	–	–
Issuance of ordinary Share for the anti-dilution rights to Mr. Zhu	4,036	0.4	–	11,355
Shares allotted for share incentive scheme (d)	23,018	–	–	–
Share subdivision on September 18, 2019 (e)	15,517,404	–	–	–
Dividends	–	–	–	(41,941)
Conversion from redeemable Shares into ordinary Shares pursuant to IPO (c)	–	–	–	2,107,892
Exercise of employee share scheme (d)	–	2.3	–	62,563
Capitalization issue (b)	462,758,440	4,627.6	33	(33)
Shares issued pursuant to the IPO (a)	120,000,000	1,200.0	8	2,024,247
Share issuance cost	–	–	–	(89,263)
At June 30,2020*	600,000,000	6,000.0	41	6,836,870

* 4,143,383 shares are held by restricted share scheme.

(a) On June 29, 2020, the Company was listed on the Main Board of HKSE, 120,000,000 ordinary Shares were issued at a price of HKD18.5 per share for a total cash consideration, before related issuance expenses, of approximately HKD2,220,000,000 (equivalent to approximately RMB2,024,255,000). Dealings in these shares on the Main Board of HKSE commenced on June 29, 2020. Accordingly, 120,000,000 ordinary Shares with par value of USD0.00001 each are issued and USD1,200 (equivalent to approximately RMB8,000) are credited to share capital, and remaining amounts, after netting of Listing expenses, are credited to share premium.

(b) Pursuant to a written resolution of all Shareholders of the Company passed on June 8, 2020, conditional on the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the global offering, the directors of the Company were authorized to capitalize an amount of USD4,628 towards paying up in full at par of 462,758,440 ordinary Shares of USD0.00001 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on June 29, 2020 in proportion to their then existing shareholding ("**Capitalization Issue**"). Accordingly, 462,758,440 ordinary Shares with par value of USD0.00001 each are issued and USD4,628 (equivalent to approximately RMB33,000) are credited to share capital.

(c) All the issued ordinary Shares with redemption right recognized as redeemable shares and have been automatically converted into ordinary Shares upon listing of the Company's shares on the Main Board of HKSE.

(d) On July 17, 2019, the Company allotted and issued an aggregate of 23,018 shares, representing approximately 1.34% of total issued share capital, pursuant to Share Award Scheme. All the above 23,018 shares were exercised upon listing of the Company's shares on the Main Board of HKSE pursuant to Share Award Scheme.

(e) On September 18, 2019, the Shareholders resolved that, with immediate effect, the Company's issued and unissued 500,000,000 shares of a par value of US$0.0001 each was subdivided into 10 shares of US$0.00001 par value each. As a result, the authorized share capital of the Company shall be US$50,000 divided into 5,000,000,000 shares of US$0.00001 par value each, and the issued share capital of the Company was divided from 1,724,156 shares to 17,241,560 shares.

13. TRADE AND OTHER PAYABLES

The credit period granted by suppliers mainly ranges from 30 to 90 days. The following is an aging analysis of trade payables presented based on the invoice date:

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**83,355**	85,192
91 to 180 days	**11,535**	14,164
181 to 365 days	**5,073**	5,158
Over 1 year	**7,068**	8,445
	107,031	112,959

14. DIVIDENDS

The board of directors of the Company does not declare any dividends for the six months ended June 30, 2019 and 2020.

GLOSSARY AND DEFINITIONS

"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd. (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of our Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of our Company
"Company" or "Our Company"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"COVID-19"	Novel coronavirus pneumonia
"Directors"	Director(s) of our Company

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "the Group"	the Company together with its subsidiaries
"Handan Renhe Hospital"	Handan Renhe Hospital (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on July 31, 2011 and one of our Managed Hospitals
"Handan Zhaotian Hospital"	Handan Zhaotian Orthopedics Hospital (邯鄲兆田骨科醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on August 27, 2015 and one of our Managed Hospitals
"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of our Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital (開遠解化醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on November 12, 2012 and one of our Managed Hospitals
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date, namely June 29, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of our Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managed Hospitals"	Kaiyuan Jiehua Hospital, Handan Renhe Hospital and Handan Zhaotian Hospital
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"oncology"	the branch of medicine that deals with cancer
"PET-CT"	positron emission tomography-computed tomography, a nuclear medical technology which combines, in a single gantry, a positron emission tomography scanner and an X-ray computed tomography scanner, to acquire sequential images from both devices in the same session and combine such images into a single superposed (co-registered) image, enabling the preciser alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by computed tomography scanning
"Prospectus"	the prospectus of the Company published on June 16, 2020
"public medical insurance programs"	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
"Radiotherapy Center Services"	the services the Group provides to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of the Group's proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the Group's proprietary SRT equipment

"Reporting Period"	from January 1, 2020 to June 30, 2020
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd. (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of our Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.0001 each before share subdivision and with nominal value of US$0.00001 each after share subdivision
"Shareholder(s)"	holder(s) of the Shares
"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of our Company

By order of the Board of Directors
Hygeia Healthcare Holdings Co., Limited
FANG Min
Chairman

Hong Kong, August 25, 2020

As of the date of this announcement, the Board of Directors of the Company comprises Mr. FANG Min as chairman and non-executive Director, Ms. CHENG Huanhuan, Mr. REN Ai, Mr. ZHANG Wenshan as executive Directors, Mr. CAO Yanling and Mr. ZHAO Yan as non-executive Directors, and Mr. LIU Yanqun, Mr. CHEN Penghui and Mr. YE Changqing as independent non-executive Directors.