海吉亚医疗控股有限公司

Hygeia Healthcare Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6078

INTERIM REPORT 2022

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhu Yiwen *(Chairman and Chief Executive Officer)*
Ms. Cheng Huanhuan
Mr. Ren Ai
Mr. Zhang Wenshan
Ms. Jiang Hui

Independent non-executive Directors

Mr. Liu Yanqun
Mr. Chen Penghui
(resigned with effect from May 6, 2022)
Mr. Zhao Chun *(appointed on May 6, 2022)*
Mr. Ye Changqing

AUDIT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Mr. Chen Penghui
(resigned with effect from May 6, 2022)
Mr. Zhao Chun *(appointed on May 6, 2022)*
Mr. Liu Yanqun

REMUNERATION COMMITTEE

Mr. Zhao Chun *(Chairman) (appointed on May 6, 2022)*
Mr. Chen Penghui *(Chairman)*
(resigned with effect from May 6, 2022)
Mr. Ren Ai
Mr. Liu Yanqun

NOMINATION COMMITTEE

Mr. Liu Yanqun *(Chairman)*
Mr. Ren Ai
Mr. Chen Penghui
(resigned with effect from May 6, 2022)
Mr. Zhao Chun *(appointed on May 6, 2022)*

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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STOCK CODE

6078

COMPANY'S WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Unaudited Six months ended June 30, 2022 RMB'000	2021 RMB'000	Percentage of Change
Operating Results			
Revenue	**1,526,232**	931,701	63.8
Gross profit	**497,816**	314,977	58.0
Operating profit	**314,631**	262,150	20.0
Profit before income tax	**307,217**	258,363	18.9
Net profit	**228,164**	205,151	11.2
Non-IFRS adjusted net profit[1]	**300,776**	205,160	46.6
Basic earnings per share (in RMB)	**0.36**	0.32	12.5

Note:

(1) Adjustments to net profit for the six months ended June 30, 2022 include: (i) share-based compensation expenses of RMB19,401 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB5,268 thousand; and (iii) net foreign exchange losses of RMB47,943 thousand. Adjustment to the net profit for the six months ended June 30, 2021 includes share-based compensation expenses of RMB9 thousand.

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000	Percentage of change
Financial Position			
Total current assets	**1,757,425**	1,720,772	2.1
Total non-current assets	**5,150,021**	4,966,166	3.7
Total current liabilities	**895,648**	854,607	4.8
Total non-current liabilities	**1,322,349**	1,354,619	(2.4)
Total equity	**4,689,449**	4,477,712	4.7

Corporate Profile

We are the largest oncology healthcare group in China in terms of (i) revenue generated from radiotherapy-related services in 2019; and (ii) number of radiotherapy equipment installed in in-network hospitals and radiotherapy centers as of December 31, 2019, according to Frost & Sullivan. As an oncology-focused healthcare group, we endeavor to make healthcare services more accessible and affordable (讓醫療更溫暖), addressing unmet demand of oncology patients in China.

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals and radiotherapy centers through a combination of organic growth, strategic acquisitions and cooperation with hospital partners. As of the date of this report, we operated or managed a network of 12 oncology-focused hospitals, with these in-network hospitals spanning across nine cities in seven provinces in China. In addition, we are currently providing services to 22 hospital partners in connection with their radiotherapy centers, which were located in thirteen provinces in China. We believe our nationwide footprint has enabled us to benefit from network effects and synergies and achieve economies of scale, which has laid a solid foundation for our sustainable growth and future expansion into new geographic markets.

We are committed to providing one-stop comprehensive treatment services for oncology patients in non-first-tier cities. There is a big gap in oncology healthcare services in China. The five-year survival rate of cancer patients, the penetration rate of radiotherapy and the number of radiotherapy equipment per million people in China are far lower than those in the western countries. There is a huge demand for oncology treatment in non-first-tier cities in China, but high-quality oncology treatment resources are mainly concentrated in first-tier cities. We believe that by leveraging strict quality control, high-standard diagnosis and treatment technology and considerate diagnosis and treatment services, we are able to provide services to more oncology patients.

We adhere to the development of one-stop comprehensive oncology diagnosis and treatment services, and carry out multi-disciplinary medical services centered around the core oncology business. Specifically, we provide various oncology healthcare services including radiotherapy, chemotherapy, surgery, and targeted therapy, and gradually cover cancer diagnosis, treatment, and rehabilitation, to provide full life cycle diagnosis and treatment services for oncology patients.

We expand our nationwide network through standardized management models and matrix management systems. The standardized management model supports endogenous growth, and the process from hospital construction, operation to profitability is fast. The standardized management model also supports extended growth, and the Group’s strong integration capabilities have led to rapid growth in performance.

We are committed to cultivating a high-level, multi-disciplinary team of medical professionals. We continue to enrich our team through internal training and external recruitment.

Management Discussion and Analysis

BUSINESS REVIEW

The Group continued to adhere to the oncology-focused development strategy in the first half of 2022, and practiced its corporate vision of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)". The Group was continuously committed itself to expanding its business scale through operating hospitals focusing on oncology. As of June 30, 2022, the Group managed and operated 12 oncology-focused hospitals and provided services to 22 third-party hospital partners for their radiotherapy centers.

The Group has always put patient satisfaction first through fulfilling the unmet needs of oncology patients by safeguarding the quality of its medical services, as well as raising its service standards. The reputation of the in-network hospitals among the patient pool has gradually been established, the brand influence has continued to spread, and the number of patient visits of the Group has continued to increase. Through continuously refining its management measures and post-investment integration, the revenue of the Group has maintained strong growth, while management efficiency has been further improved. For the six months ended June 30, 2022, the revenue of the Group was RMB1,526.2 million, representing an increase of 63.8% as compared with the same period in 2021.

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,			
	2022		2021	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Hospital business				
— Outpatient services	**513,344**	**33.6**	271,896	29.2
— Inpatient services	**932,223**	**61.1**	578,892	62.1
Sub-total	**1,445,567**	**94.7**	850,788	91.3
Other Business	**80,665**	**5.3**	80,913	8.7
Total	**1,526,232**	**100.0**	931,701	100.0

Hospital Business

For the six months ended June 30, 2022, the Group's revenue from its hospital business was RMB1,445.6 million, representing an increase of 69.9% over the same period in 2021. The revenue from the outpatient services was RMB513.3 million for the six months ended June 30, 2022, representing an increase of 88.8% compared to the same period in 2021, and revenue from inpatient services was RMB932.2 million for the six months ended June 30, 2022, representing an increase of 61.0% over the same period in 2021.

The brand influence and reputation of the Group's in-network hospitals has gradually enhanced, resulting in an increase in the number of patient visits. For the six months ended June 30, 2022, the number of patient visits was 1,618,083, representing an increase of 115.8% over the same period last year. In addition, the Group has actively expanded diagnosis and treatment items with a focus on oncology to enrich treatment methods and improve management efficiency. As of June 30, 2022, the Group operated or managed a network of 12 oncology-focused hospitals, covering nine cities in seven provinces in China.

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business. For the six months ended June 30, 2022, the Group's revenue from other business amounted to RMB80.7 million, which was basically the same as the same period in 2021.

Oncology-related Business

The Group regards the development of its oncology-related business as its core strategy, and is committed to providing oncology patients with one-stop comprehensive treatment services.

For the six months ended June 30, 2022, revenue from the Group's oncology-related business increased by 50.4% from RMB446.9 million for the same period in 2021 to RMB672.1 million, and accounts for approximately 44.0% of the consolidated revenue of the Group.

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,			
	2022		2021	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Oncology business	**672,090**	**44.0**	446,938	48.0
Non-oncology business	**854,142**	**56.0**	484,763	52.0
Total	**1,526,232**	**100.0**	931,701	100.0

Gross Profit

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

	Unaudited Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Hospital business	**450,706**	262,599
Other business	**47,110**	52,378
Total	**497,816**	314,977

The gross profit of the hospital business, the core business of the Group, was RMB450.7 million for the six months ended June 30, 2022, representing an increase of 71.6% over the same period in 2021. The gross profit margin of the hospital business was 31.2% for the six months ended June 30, 2022, representing an increase of 0.3% over the same period in 2021.

BUSINESS DEVELOPMENT

Continue maintaining focus on the construction and development of hospitals with oncology specialties, and further enhance the academic standards and diagnostic and treatment capabilities of the Group's in-network hospitals

1. *Strengthening the construction of comprehensive multidisciplinary diagnosis and treatment model (MDT) of oncology*

   During the Reporting Period, the Group's in-network hospitals actively employed new technologies and methods around oncology, and the Group's development momentum in oncology discipline was strong. The Group completed a total of 29,717 surgeries, and recorded a considerable rise in Level 3 or 4 surgery cases and initial consultation rate, which has been affirmed by patients. Suzhou Yongding Hospital has newly established a department of surgical oncology. Through the recruitment and cultivation of outstanding medical talents and the upgrade of advanced medical equipment, the hospital's oncology diagnosis and treatment capabilities have improved, which has benefited more and more oncology patients. Hezhou Guangji Hospital actively promoted the construction of oncology center, and took scientific research and technology as a breakthrough to implement oncology MDT, which has further enhanced the influence of the hospital's medical service branding in oncology. Longyan Boai Hospital has established a thoracic surgery expert office. The hospital and the expert team worked together to improve the diagnosis and treatment of lung cancer, esophageal cancer and thymic cancer in western Fujian.

2. *Expanding the breadth and depth in oncology screening*

   Early oncology screening is essential in preventing and treating cancers, and it has become increasingly popular among the general public. Through continually initiating public welfare activities such as breast and cervical cancer screening (兩癌篩查), five types of cancers screening and health lectures, and setting up a screening base for gastrointestinal cancer, the Group assists oncology patients in the early discovery, diagnosis and treatment. Suzhou Yongding Hospital actively responded to the call of the National Clinical Research Center for Digestive Diseases to participate in the research project of "community screening of colorectal cancer for 10,000 people", and was awarded the title of "Excellent Unit" by the project team. Longyan Boai Hospital has established a gastroenterology ward to promote early gastrointestinal cancer screening, improve patients' awareness of cancer prevention and early detection of the disease. The Group invested in several high-end imaging equipment such as Philips Iqon Spectral CT scanner and Ingenia 3.0T full digital MRI system, to accurately discover small lesions at an early stage, providing strong imaging assurance for early oncology screening.

3. *Strengthening oncology academic exchanges and cooperation to improve academic level*

   The Group continues to strengthen international and inter-hospital oncology academic exchanges and cooperation, and comprehensively improves the level of oncology prevention and treatment in its in-network hospitals, benefiting the vast number of oncology patients. During the Reporting Period, Chongqing Hygeia Hospital successfully held the "Hygeia — China-Japan Symposium on Radiotherapy for Breast Cancer (海吉亞 — 中日乳腺癌放射治療研討會)" to share the cutting-edge oncology diagnosis and treatment concepts and broaden the clinical treatment ideas for oncology. Suzhou Yongding Hospital carried out strategic cooperation on oncology treatment with surrounding hospitals, and promoted the construction of regional oncology medical service capabilities with a close and efficient hierarchical diagnosis and treatment collaboration system. Heze Hygeia Hospital collaborated with local medical institutions to build an "oncology medical consortium" to provide local oncology patients with higher-quality and more convenient services through technical assistance and two-way referrals.

During the Reporting Period, the Group has made numerous achievements from its continuous scientific research and academic study in oncology. Our in-network hospitals and/or medical professionals published 31 articles in oncology specialties/oncology related disciplines. We also obtained 4 utility model patents awarded by the National Intellectual Property Administration.

4. *Strengthening the recruitment and training for oncology medical professionals*

The Group is strengthening its efforts in the recruitment and training for oncology medical professionals. As of June 30, 2022, the Group had 4,707 medical professionals in total, representing an increase of 412 compared to December 31, 2021. Among the medical professionals, 589 were chief physicians or associate chief physicians, representing an increase of 56 from December 31, 2021. For the six months ended June 30, 2022, a total of 51 medical professionals were promoted to a higher professional grade.

The Group continues to deepen exchanges and cooperation with external professionals, and strengthens the construction of expert offices to facilitate the development of oncology discipline of its in-network hospitals. For example, Longyan Boai Hospital has newly set up an expert office for cardio-thoracic oncology. The introduction of the expert offices will enhance the brand value of the hospital and better satisfy the medical needs of oncology patients in surrounding area.

5. *Broadening medical channels to improve the satisfaction of patients*

The Group is promoting the establishment of internet hospitals to improve the diagnostic and treatment process and enhance patients' medical experience. The internet hospital of Suzhou Yongding Hospital was awarded the honorary title of the 5th "Internet+" Innovation Award in Wujiang District (吳江區第五屆"互聯網+"創新獎) in 2022, and the internet hospital of Chongqing Hygeia Hospital was successfully launched. With the implementation of internet hospitals, medical resources will be used in a more effective way to serve more patients, which provides all-around healthcare management services to oncology patients.

The Group provides one-stop and comprehensive oncology treatment services for oncology patients. For patients in rehabilitation, the Group continues to strengthen oncology health management and regular follow-up visits; for terminal illness patients, the Group's in-network hospitals have launched services such as home care for oncology patients and unaccompanied wards for oncology patients. The considerate care from medical staff of the Group allows oncology patients to experience Hygeia's corporate vision of "making healthcare services more accessible and affordable".

All in-network hospitals of the Group provide year-round outpatient service (including public holidays). Since March 2022, Suzhou Yongding Hospital and Longyan Boai Hospital have successively opened night-time outpatient service to provide the public with more quality and convenient medical services in a staggered mode of diagnosis and treatment.

Expand the Group's healthcare service network through endogenous growth

Self-owned hospitals are the core of the Group's development strategy and also its unique feature and strength. The Group strives to make healthcare services more accessible and affordable, thereby adapting to the growing momentum of China's oncology medical service market. The Group accelerates the nationwide expansion of our oncology business to meet the growing needs of oncology patients in China.

1. *Progress of Phase II projects for existing hospitals*

   Chongqing Hygeia Hospital Phase II project is in the internal renovation period, and is expected to be put into operation by the end of 2022. The Phase II project has a GFA of approximately 78,000 square meters and accommodates 1,000 beds. Once Phase II project commences operation, the total number of beds in the hospital will be increased to 1,500, and will promote Chongqing Hygeia Hospital to be a Class III Grade A hospital featuring oncology specialties.

   Shanxian Hygeia Hospital Phase II project has a GFA of approximately 55,000 square meters and is designed to accommodate 500 beds. It is expected to be put into operation in the first half of 2023. Upon completion of the project, it will greatly improve the medical service level and public health emergency response capability of the hospital.

   Chengwu Hygeia Hospital Phase II project has obtained the Construction Work Permit. It is designed to accommodate 350 beds, and is expected to be put into operation by the end of 2023.

2. *Progress of work-in-progress hospitals*

   In April 2022, Liaocheng Hygeia Hospital was put into operation. Liaocheng Hygeia Hospital has an area of 112 mu and Phase I project has a total GFA of approximately 83,000 square meters, which can accommodate 800 beds. As the fourth self-owned hospital of the Group, Liaocheng Hygeia Hospital will adhere to the mission of "making healthcare services more accessible and affordable and making life healthier", safeguarding the health of the citizens of Liaocheng and surrounding areas.

   The construction project of Dezhou Hygeia Hospital has obtained the Construction Work Permit. Dezhou Hygeia Hospital is planned to be a Class III hospital, and Phase I project has a total GFA of approximately 51,000 square meters and is designed to accommodate 600 to 800 beds. It is expected to commence operation in 2023.

   The construction project of Wuxi Hygeia Hospital has obtained the Construction Work Planning Permit. Wuxi Hygeia Hospital is designed to be a Class III general hospital with oncology specialties and will accommodate 800 to 1,000 beds. It is expected to commence operation in 2024.

Further strengthen post-investment integration to stimulate the potential of hospitals

After joining the Group, Suzhou Yongding Hospital and Hezhou Guangji Hospital leveraged on the advantages of the Group's extensive experience and resources in hospital management, oncology-related discipline development and supply chain support, and implemented measures such as remuneration and performance system reform, revenue structure optimization and investment of medical resources. Through such measures, their diagnosis and treatment capabilities and academic standards have been greatly improved, the business scale and operational efficiency have been significantly enhanced, and thereby resulting in a continuous improvement of the sense of achievement among the employees, as well as the satisfaction of the patients.

With the empowerment of the Group's business divisions, these two hospitals strengthened the development of oncology discipline, actively launched early oncology screening, improved the development of such areas as general surgery and gastrointestinal oncology, and strengthened the recruitment and cultivation of medical talents in oncology to satisfy the medical needs of oncology patients in surrounding areas. Suzhou Yongding Hospital and the neighbouring hospitals conducted strategic cooperation in oncology treatment through team consultation, discussion of difficult cases and scientific research cooperation to share resources, complement each other's advantages and promote the establishment of regional oncology medical service capacity. Hezhou Guangji Hospital was granted two municipal key specialties (general surgery (hepato-pancreato-biliary, gastrointestinal tract, thyroid and breast tumours) and intensive care unit), and completed the expansion and renovation of core wards such as oncology and intensive care unit, and further improved the hospital's disciplinary development capacity through the introduction of advanced equipment, optimizing the distribution of medical resources to better serve patients.

Fulfill social responsibility and gain social recognition

1. *Actively responding to the call for pandemic prevention and control, and fight the pandemic together*

   Since February 2022, Suzhou Yongding Hospital has dispatched 110 sampling medical teams, with a total of 4,580 people, to the Suzhou Industrial Park and Kunshan to carry out nucleic acid testing in various communities. Suzhou Canglang Hospital has sent out nearly 1,000 medical staff in total to train stations, highway entrances and sub-district communities, collecting over 2.5 million nucleic acid samples. Since February 2022, Hezhou Guangji Hospital has sent out teams of over 100 people in 7 groups to help combat the pandemic in Baise, Qinzhou and other places in Guangxi Zhuang Autonomous Region. Kaiyuan Jiehua Hospital Co., Ltd. also sent out a medical team to support the pandemic control in Hekou County, Yunnan. Shanxian Hygeia Hospital cumulatively sent out teams of over 1,000 people in 60 groups to fight the pandemic, including medical staff sent to Binzhou and Zaozhuang in Shandong Province. Chengwu Hygeia Hospital deployed its elite team to support the pandemic prevention and control in Taierzhuang and Binzhou in Shandong Province. Longyan Boai Hospital deployed more than 50 medical staff daily on average to stations, communities, hotels, schools and other front lines to carry out pandemic control work. In mid-March, Chongqing Hygeia Hospital was mobilized to support the pandemic control work in the Chongqing High-tech District with more than 300 medical staff successively.

   The medical and nursing staff of the Group's in-network hospitals are on the frontline of the fight against the pandemic day and night, braving against the wind and rain. Even though the winter is bitterly cold, the spring breeze will blow through and spark hope everywhere. Every staff in the Group will continue to go to the front line with great love, fearlessness and selflessness, demonstrating the courageous spirit of Group's staff with their actions. During the Reporting Period, the Group's in-network hospitals performed nucleic acid tests for nearly 9 million persons.

2. *Continuing to carry out healthcare-related public welfare activities and fulfilling corporate responsibility to make healthcare services more accessible and affordable*

   In order to realize the corporate vision of "making healthcare services more accessible and affordable and making life healthier", the Group attaches great importance to public welfare initiatives. For the six months ended June 30, 2022, the Group's in-network hospitals provided a total of 196 free consultations, and held 122 health lectures on various topics related to oncology, receiving high recognition and praise from governments at all levels and the public.

Patients' satisfaction has always been the pursuit of the Group. The medical and nursing staff of the Group's in-network hospitals serve patients with their full enthusiasm, rigorous work style and comfort environment. Suzhou Canglang Hospital was awarded the Suzhou May 1st Labor Award by the Suzhou Federation of Trade Unions. The nephrology department of Longyan Boai Hospital was awarded the title of "May 1st Pioneer Post (五 • 一先鋒崗)" in Longyan by the Longyan Federation of Trade Unions in 2022, and three nursing staff from Longyan Boai Hospital were selected as outstanding nurses on the "May 12" International Nurses Day in Longyan. The director of the department of intensive care unit and the director of the nursing department of Hezhou Guangji Hospital were selected as the "Most Beautiful Female Striver of Shoucheng (壽城最美巾幗奮鬥者)" by the Hezhou Women's Federation (賀州市婦女聯合會) and the Hezhou Spiritual Civilization Construction Committee (賀州市精神文明建設委員會). Ms. Chen Yan (陳艷), president of Suzhou Yongding Hospital, was awarded the honorary title of "The Most Beautiful Medical Insurance Person (最美醫保人)" by the Medical Insurance Bureau of Wujiang District, Suzhou. Ms. Zhao Dengmei (趙登梅), the head of the medical insurance department of Chengwu Hygeia Hospital was awarded the Advanced Individual in Medical Insurance Management in Shandong Province. All of the Group's medical and nursing staff are dedicated to their work, abide by their original aspirations through continuous pursuits, and make selfless contributions in their respective positions, so as to safeguard the health of patients. For the convenience of more patients, all in-network hospitals under the Group provided year-round outpatient service (including public holidays). Since March 2022, Suzhou Yongding Hospital has been the first hospital in Suzhou to provide both day-time and night-time outpatient services. The Group always puts the satisfaction of patients first, and continuously optimizes and improves its service processes, striving to solve the difficulties and problems of patients and provide the public with more affordable quality services in a beneficial, convenient and favorable manner.

The Group's in-network hospitals operate with integrity, pay taxes in accordance with the laws, and effectively fulfill their corporate social responsibility, contributing to national and local taxation as well as local economic development. Suzhou Yongding Hospital was awarded the 2021 Service Industry Pioneer Tax Payment Enterprise (二零二一年度服務業納税先鋒企業) by the Party Working Committee and Management Committee of Taihu New City (太湖新城黨工委和管委會). Shanxian Hygeia Hospital was granted the 2021 Economic Development Contribution Award (二零二一年度經濟發展貢獻獎) by the CPC Shanxian County Committee (中共單縣縣委) and Shanxian People's Government. The Group continues to repay the trust and support for its hospitals from all walks of life, contributing to the local economic development and enhancing the well-being of local people.

3. *Being proactive in maintaining investor relations and protecting the rights and interests of investors, with recognition from authoritative institutions*

From December 2021 to January 2022, Mr. Zhu Yiwen, the controlling shareholder of the Company, and the management team continuously increased their shareholding in the Company. During the Reporting Period, the Company also repurchased Shares in the secondary market. The management firmly recognizes the value of long-term investment in the Company and is confident in the sustainable development of the Company in the future.

In March 2022, the Group stood out after several rounds of independent third-party professional selection and has been selected among the 5th "New Fortune Best IR of Hong Kong Listed Companies (H Share)" List (第五屆新財富最佳IR港股公司(H股)). In May 2022, the Group was awarded the "Top 10 Most Influential Listed Companies in Medical Services in 2021 (二零二一年度最具影響力醫療服務上市公司 Top 10)". In June 2022, Mr. Zhu Yiwen, the Chairman of the Board, was awarded the title of "Wei Lan Award — Entrepreneur of the Year (蔚瀾獎 • 年度風雲企業家)". These awards are for recognition of the Group and for encouragement of its future development. The Group always attaches great importance to the maintenance of investor relations, effectively guarantees the legitimate rights and interests of investors, and creates long-term value for shareholders.

BUSINESS PROSPECTS

The growing demand for oncology medical services creates more opportunities for a growing market

According to the results of the seventh national population census, as of November 1, 2020, there were 264 million elderly people aged 60 and above in China, accounting for 18.7% of the total population. From 1962 to 1973, the domestic baby newborns amounted to over 300 million, and the number of elderly people aged 60 and above in China may further increase in next 20 years. There are over 4 million new oncology patients in China every year, representing about 300 new oncology patients per 100,000 population each year, which increased significantly as compared to the previous years. It can be predicted that the incidence of tumors and other age-related diseases will continue to rise, and the demand for oncology medical services in the Chinese market will gradually increase. According to Frost & Sullivan's analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a CAGR of approximately 11.5% from 2021 to 2025. The Group believes that by leveraging strict quality control, advanced diagnosis and treatment technology and considerate diagnosis and treatment services, the Group is able to provide multi-level medical services to more oncology patients and satisfy their unmet needs.

National and local policies encourage the development of private medical institutions which created a favorable environment for the Group's development

The medical care and health system reform in China has been deepened throughout recent years. The government has put in place certain policies encouraging the setup of medical institutions by social capitals to increase the supply of medical services, so as to alleviate the conflicts over the significant and unevenly distributed gaps between supply and demand of medical services. The Group believes that it is able to benefit from the encouragement and support of various national and local government policies and the environment for private medical service in China will be constantly improved to facilitate rapid development of private medical service. The Group will seize this opportunity to continuously expand its operation network to satisfy the growing needs of increasing number of oncology patients.

Looking forward, the Group expects to:

(1) continue to focus on the core oncology-related business, enhance its brand influence and prioritize patient satisfaction: ensure the quality of medical services through continuously improving medical services standard, introducing cutting-edge technology and equipment, providing internal trainings and recruiting external medical professionals, improve patients' medical experience and provide oncology patients with one-stop comprehensive medical services covering the whole treatment cycle;

(2) continue to enhance the scientific research capabilities and academic standards. The Group actively cooperates with public hospitals and other scientific research organizations to develop national, provincial and municipal key scientific research projects, encouraging academic research and publication of papers by the Group's in-network hospitals, and providing interdisciplinary talents with medical expertise and management experience for in-network hospitals on an on-going basis by leveraging fully on the educational and research function of Hygeia Healthcare Teaching and Researching Institute, so as to capitalize the cutting-edge oncology-related diagnosis and treatment technology and deliver better service to its patients;

(3) continue to expand our business scale to achieve economy of scale. The Group will continue to raise its revenue through organic growth and external expansion to enhance the brand influence of the Group across China:

a. by actively facilitating the preparation and construction of self-owned hospitals, and promoting the Phase II construction projects of the existing hospitals, so as to satisfy the growing demand of local patients;

b. by actively identifying high-quality merger and acquisition targets, promoting the project process and continuously strengthening the consolidation capacities in the oncology-related industry;

(4) continue to strictly comply with various regulatory requirements of the industry and strengthen the standardized operation, including implementing the core system of medical quality and safety, supervising medical quality and safety, ensuring medical safety and increasing brand credibility;

(5) continue to reinforce the modular matrix management model through standardizing and refining our management measures to improve the management efficiency of the Group; and

(6) continue the build-up of environment, social and governance (ESG) by reinforcing the regulatory measures on environment, fulfilling the social responsibilities, continuously improving and strengthening corporate governance and standardizing governance of listed companies, optimizing the governance structure, to secure the interest of all stakeholders.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was generated primarily from (i) operating private for-profit hospitals; and (ii) other business.

The Group's revenue increased by 63.8% to RMB1,526.2 million for the six months ended June 30, 2022 from RMB931.7 million for the same period in 2021.

Hospital Business

The Group's revenue from hospital business increased by 69.9% to RMB1,445.6 million for the six months ended June 30, 2022 from RMB850.8 million for the same period in 2021. The increase in revenue from hospital business was primarily attributable to (i) the continuous growth of revenue from existing hospitals due to business expansion; and (ii) the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business. For the six months ended June 30, 2022, the Group's revenue from other business amounted to RMB80.7 million, which was basically the same as RMB80.9 million for the same period in 2021.

Cost of Revenue

During the Reporting Period, the Group's cost of revenue primarily consisted of cost of pharmaceuticals, medical consumables and other inventories, employee benefits expenses, radiotherapy service fees, depreciation and amortization, consultancy and professional service fees.

The Group's cost of revenue increased by 66.8% to RMB1,028.4 million for the six months ended June 30, 2022 from RMB616.7 million for the same period in 2021, which was in line with the increase in the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 58.0% to RMB497.8 million for the six months ended June 30, 2022 from RMB315.0 million for the same period in 2021.

The Group's gross profit margin decreased to 32.6% for the six months ended June 30, 2022 from 33.8% for the same period in 2021, which was primarily attributable to (i) the increase in share-based compensation expenses of RMB13.1 million as the Group granted options in November 2021 in order to motivate outstanding staffs, promote their sense of belonging and sense of mission and achieve the long-term development of the Group; (ii) the increase in the depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB2.1 million; and (iii) additional pandemic prevention and control costs incurred in active response to the call for pandemic prevention and control.

Benefiting from the further improvement in management efficiency of the Group, the gross profit margin of the hospital business of the Group increased to 31.2% for the six months ended June 30, 2022 from 30.9% for the same period in 2021.

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. For the six months ended June 30, 2022, the Group's selling expenses amounted to RMB9.1 million, which is basically the same as that of RMB9.0 million for the same period in 2021.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of employee benefits expenses, consultancy and professional service fees, depreciation and amortization, travelling expenses, vehicle and office expenses, utilities, cleaning and afforestation expenses, repair and maintenance expenses and taxation expenses.

The Group's administrative expenses increased by 82.0% to RMB139.4 million for the six months ended June 30, 2022 from RMB76.6 million for the same period in 2021, primarily due to (i) an increase in administrative expenses of RMB38.1 million as a result of the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital; (ii) an increase in share-based compensation expenses of RMB6.3 million; (iii) an increase in depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB4.5 million; (iv) an increase in the land taxes of RMB3.3 million as a result of the expiration of the previous preferential policies; and (v) additional administrative expenses incurred by pandemic prevention and control.

Other Income

During the Reporting Period, the Group's other income was primarily composed of government grants. The Group's other income decreased to RMB6.0 million for the six months ended June 30, 2022 from RMB7.5 million for the same period in 2021.

Other (Losses)/Gains — Net

During the Reporting Period, the Group's other (losses)/gains — net was primarily from net foreign exchange losses. The Group recorded other losses — net of RMB40.7 million for the six months ended June 30, 2022 and other gains — net of RMB25.4 million for the same period in 2021 with other losses increased by RMB66.1 million in aggregate, primarily due to: (i) an increase of RMB44.8 million in net foreign exchange losses; and (ii) a decrease of RMB27.9 million in realised and unrealised gains on financial assets at fair value through profit or loss.

Finance Income and Costs

During the Reporting Period, the Group's finance income was composed of interest income on bank savings. Finance income increased to RMB8.2 million for the six months ended June 30, 2022 from RMB1.1 million for the same period in 2021.

During the Reporting Period, the Group's finance costs were mainly composed of the Group's interest expenses on bank borrowings. The Group's finance costs increased to RMB15.6 million for the six months ended June 30, 2022 from RMB4.9 million for the same period in 2021, primarily due to an increase of RMB10.7 million in interest expenses on bank borrowings.

Income Tax Expense

The Group's income tax expense increased by 48.7% to RMB79.1 million for the six months ended June 30, 2022 from RMB53.2 million for the same period in 2021, primarily due to an increase of 51.2% in profits before tax after deduction of items that were not deductible for tax purposes, such as share-based compensation expenses and profit or loss of overseas companies.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 11.2% to RMB228.2 million for the six months ended June 30, 2022 from RMB205.2 million for the same period in 2021. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including net foreign exchange losses, share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals. The Group's non-IFRS adjusted net profit increased by 46.6% to RMB300.8 million for the six months ended June 30, 2022 from RMB205.2 million for the same period in 2021.

Non-IFRS Measures

To supplement the Group's interim condensed consolidated statement of comprehensive income which are presented in accordance with IFRS, the Company has provided adjusted net profit 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 interim condensed consolidated statement of comprehensive income 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 may not be comparable to similarly titled measures presented by other companies as they do not share a standardized meaning. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, the Group's interim condensed consolidated statement of comprehensive income as reported under IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2021 and 2022 to the nearest measures prepared in accordance with IFRS:

	Unaudited Six months ended June 30,	
	2022 ***RMB'000***	2021 *RMB'000*
Net profit	**228,164**	205,151
Adjustments:		
Net foreign exchange losses	**47,943**	–
Share-based compensation expenses	**19,401**	9
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**5,268**	–
Non-IFRS adjusted net profit	**300,776**	205,160

Liquidity and Capital Resources

The Group's capital requirements for its business operations and expansion plans include upgrading the existing in-network hospitals, establishing and acquiring new hospitals and other working capital requirements. As of June 30, 2022, the Group had cash and cash equivalents of RMB888.4 million, as well as wealth management products and deposit certificate of RMB116.5 million.

Cash Flow

Operating Activities

During the Reporting Period, the Group derived its cash inflow primarily through provision of healthcare services. Cash outflow from operating activities was primarily composed 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 78.7% to RMB291.2 million for the six months ended June 30, 2022 from RMB163.0 million for the same period in 2021, primarily attributable to the increase in the overall revenue of the Group.

Investing Activities

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

The Group's net cash used in investing activities decreased by 93.3% to RMB51.1 million for the six months ended June 30, 2022 from RMB757.8 million for the same period in 2021. The decrease in net cash used in investing activities of RMB706.7 million was primarily attributable to: (i) the decrease in the payment for acquisition of subsidiaries by the Group of RMB1,639.4 million; and (ii) the decrease in net cash flow from disposing and purchasing financial assets at fair value through profit or loss of RMB924.0 million over the same period in 2021.

Financing Activities

During the Reporting Period, cash inflow from financing activities was mainly composed of proceeds from bank borrowings. Cash outflow from the Group's financing activities was mainly composed of repayment of bank borrowings, payment of interests on bank borrowings, payments for repurchase of ordinary shares, payments for acquisition of additional shares of a subsidiary and payment of lease liabilities.

The Group's net cash used in financing activities for the six months ended June 30, 2022 was RMB61.7 million, while the net cash generated from financing activities for the six months ended June 30, 2021 was RMB911.7 million. The decrease in net cash flow from financing activities of RMB973.4 million was mainly due to the decrease in proceeds from bank borrowings of RMB960.1 million as compared to the same period in 2021.

Significant Investments

The Group did not have any significant investment for the six months ended June 30, 2022.

Material Acquisitions and Disposals

The Group did not have any other material acquisition or disposal for the six months ended June 30, 2022.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on: (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 4.1% to RMB262.0 million for the six months ended June 30, 2022 from RMB251.7 million for the same period in 2021.

FINANCIAL POSITION

Total Assets and Total Liabilities

As of June 30, 2022, the Group's total assets were mainly composed of cash and cash equivalents, financial assets at fair value through profit or loss, trade, other receivables and prepayments, property, plant and equipment, inventories and intangible assets. The Group's total assets increased by 3.3% to RMB6,907.4 million as of June 30, 2022 from RMB6,686.9 million as of December 31, 2021.

As of June 30, 2022, the Group's total liabilities were mainly composed of borrowings, trade and other payables, current income tax liabilities, deferred income tax liabilities, deferred revenue and contract liabilities. The Group's total liabilities increased by 0.4% to RMB2,218.0 million as of June 30, 2022 from RMB2,209.2 million as of December 31, 2021.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 1.6% to RMB108.9 million as of June 30, 2022 from RMB107.2 million as of December 31, 2021.

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances of the receivables arising from the provision of healthcare services. The Group's trade receivables increased to RMB567.7 million as of June 30, 2022 from RMB445.2 million as of December 31, 2021, primarily due to the increase in the balance of trade receivables as a result of the continuous increase in revenue.

The Group's other receivables mainly represented land deposits receivables. The Group's other receivables decreased by 13.4% to RMB21.9 million as of June 30, 2022 from RMB25.3 million as of December 31, 2021.

The Group's prepayments for current assets mainly include prepayments to suppliers. The Group's prepayments to suppliers increased by 34.6% to RMB39.3 million as of June 30, 2022 from RMB29.2 million as of December 31, 2021.

The Group's prepayments for non-current assets include prepayments for property, plant and equipment. Prepayments for property, plant and equipment represent prepaid construction fees to contractors which undertook the construction work of the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment decreased by 23.6% to RMB38.3 million as of June 30, 2022 from RMB50.1 million as of December 31, 2021.

Intangible Assets

The Group's intangible assets were primarily composed of goodwill, software, contractual rights to provide management services, and medical licenses. The Group's intangible assets decreased by 0.1% to RMB2,378.7 million as of June 30, 2022 from RMB2,381.2 million as of December 31, 2021.

Trade and Other Payables

The Group's 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 increased by 7.3% to RMB330.8 million as of June 30, 2022 from RMB308.3 million as of December 31, 2021.

The Group's other payables primarily represented salaries payables, other taxes payables, payables for construction projects, payables of considerations for acquisition of subsidiaries and prepayments received for radiotherapy equipment licensing. The Group's other payables decreased by 20.4% to RMB337.5 million as of June 30, 2022 from RMB424.2 million as of December 31, 2021, primarily due to the decrease of RMB96.0 million in the payables of considerations for acquisition of subsidiaries.

Borrowings

As of June 30, 2022, the Group had outstanding short-term borrowings (being the portion of long-term borrowings due within one year) of RMB130.2 million and long-term borrowings of RMB1,159.6 million.

Pledge of Assets

Except for equity pledge of the Group mentioned in Note 24 to the interim condensed consolidated financial statements, the Group had no other pledged assets as of June 30, 2022.

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 increased by 1.8% to RMB33.1 million as of June 30, 2022 from RMB32.5 million as of December 31, 2021.

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, 2022 were primarily related to commitments for: (i) the construction and renovation of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 35.8% to RMB610.9 million as of June 30, 2022 from RMB449.8 million as of December 31, 2021, primarily due to the increase in the commitments related to the Dezhou Hygeia Hospital project of RMB141.7 million, the increase in the commitments related to the Chengwu Hygeia Hospital Phase II project of RMB56.2 million, and the decrease in the commitments related to the construction of Liaocheng Hygeia Hospital of RMB37.9 million, as of June 30, 2022.

Contingent Liabilities

As of June 30, 2022, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, liabilities under acceptance or acceptance credits, or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

The financial instruments were mainly composed of cash and cash equivalents, amounts due from related parties, trade and other receivables excluding non-financial assets, financial assets at fair value through profit and loss, trade and other payables excluding non-financial liabilities, lease liabilities and borrowings.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report and the Prospectus, the Group did not have any future plan for material investments and capital assets for the six months ended June 30, 2022.

Gearing Ratio

Gearing ratio is calculated as net debt divided by total equity and multiplied by 100%. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. The gearing ratio of the Group as at June 30, 2022 was 8.6%.

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The monetary assets and monetary liabilities denominated in foreign currency as of June 30, 2022 amounted to RMB21.0 million and RMB1,006.9 million, respectively. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2022 would have been RMB49.3 million higher/lower. The Group has not used any derivative contracts to hedge against foreign exchange risk.

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 attributable to trade and other receivables, amounts due from related parties, financial assets at fair value through profit or loss and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets. 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 this risk, financial assets at fair value through profit or loss and cash deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

The Group's trade receivables are mainly from providing medical service to patients as well as providing services to the radiotherapy centers and trustee hospitals. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing significant revenue. However, the Group has concentrated debtor's portfolio, as most of the patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations may take one to twelve months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policy, fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimise the credit risk. For the receivables from the radiotherapy centers and trustee hospitals, the Group has granted credit term of 0–90 days and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

For other receivables and amounts due from related parties, the management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The management believes that there is no significant 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.

DIVIDENDS

The Board has resolved not to recommend payment of dividend for the six months ended June 30, 2022.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2022, the Group had 5,466 full-time employees, among whom 81 were employees at the headquarters level and 5,385 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of June 30, 2022:

Functions	Number of Employees	% of total employees
Headquarters level		
Operations	44	0.8
Manufacturing	16	0.3
Management, administrative and others	21	0.4
Sub-total	**81**	**1.5**
Self-owned hospitals		
Physicians	1,384	25.3
Other medical professionals	2,947	53.9
Management, administrative and others	1,054	19.3
Sub-total	**5,385**	**98.5**
Total	**5,466**	**100.0**

The Group believes it has maintained good relationship with its employees. Employees of the Group's in-network hospitals are not represented by a labor union. As of the date of this report, 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 were mainly composed of a 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.

Corporate Governance and Other Information

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with all the applicable code provisions of the CG Code throughout the six months ended June 30, 2022 (except as disclosed below).

On July 6, 2021, the Company appointed Mr. Zhu Yiwen as the Chairman of the Board and on August 23, 2021, the Company redesignated Mr. Zhu Yiwen from a non-executive Director to an executive Director and appointed him to be the chief executive officer of the Company. Upon the appointment, Mr. Zhu Yiwen assumes the dual role as the Chairman of the Board and the chief executive officer of the Company. Accordingly, notwithstanding that the code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board is of the view that with support of the mature structure of the Company with a strict operational system and a set of procedural rules for the Board meetings, the Chairman does not have any power different from that of other Directors in relation to the decision making process. Moreover, the Company has also implemented an integrated system and a structured procedure to daily operations of the Group which ensure the diligence and efficiency of the chief executive officer. As such, the Board believes that the management structure of the Company will ensure management efficiency and at the same time, protect the rights of all shareholders of the Company to the greatest extent. The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

In view of the above, the Board considers that such structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will continue to review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding director's securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standard as set out in the Model Code during the six months ended June 30, 2022.

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 three independent non-executive Directors, being Mr. Ye Changqing (chairman of the Audit Committee), Mr. Liu Yanqun and Mr. Zhao Chun. 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 AND INTERIM REPORT

The Audit Committee has reviewed the accounting standards and policies adopted by the Company and discussed internal control and financial reporting matters in relation to the unaudited condensed consolidated interim results and the interim report of the Group for the six months ended June 30, 2022 and considered that the interim results and the interim report are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2022 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

The Company issued 120,000,000 Shares in the Global Offering at HK$18.50 which were listed on the Main Board of the Stock Exchange on June 29, 2020 and subsequently 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 and the unutilized Net Proceeds were kept at the bank accounts of the Group as at June 30, 2022.

Please refer to the Prospectus and the announcement of the Company dated May 26, 2021 for details.

Details on the applications of the Net Proceeds from the Listing (adjusted on a pro rata basis based on the actual Net Proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcement dated May 26, 2021. The following table sets out the revised applications of the Net Proceeds, actual usage up to June 30, 2022 as well as the expected timeline for utilization:

	Planned application *HK$ million*	Amount available for utilization as revised *HK$ million*	Amount utilized *HK$ million*	Remaining amount *HK$ million*	Expected timeline for utilization(1)
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	1,435.1	985.1	985.1	–	N/A
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	717.6	1,167.6	1,167.6	–	N/A
Upgrading information technology systems	119.6	119.6	9.1	110.5	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	–	N/A
Total	**2,391.9**	**2,391.9**	**2,281.4**	**110.5**	

Note:

(1) The expected timeline for the usage of the remaining proceeds was prepared 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.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, the changes in directors' information during the Reporting Period are set out as follows:

Change of Director/Major Appointment

Mr. Chen Penghui has resigned as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee with effect from May 6, 2022.

Mr. Zhao Chun was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee with effect from May 6, 2022.

Save as above, as at June 30, 2022, there were no other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2022, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares[5]	Approximate percentage of interest[6]
Mr. Zhu[1][2]	Interest in a controlled corporation/Interest of concert parties/Beneficial interest	281,424,815 (L)	45.63%
Mr. Ren Ai[3][4]	Interest in a controlled corporation/Interest of spouse/Beneficial interest	281,424,815 (L)	45.63%
Mr. Zhang Wenshan	Beneficial interest	32,235 (L)	0.01%

(b) Share Options granted by the Company

Name of Director	Number of underlying Shares held pursuant to Share Option Scheme	Approximate percentage of total issued Shares[(6)]
Mr. Zhu	280,000	0.05%
Ms. Cheng Huanhuan	80,000	0.01%
Mr. Ren Ai	120,000	0.02%
Mr. Zhang Wenshan	60,000	0.01%
Ms. Jiang Hui	60,000	0.01%

Notes:

(1) Century River is wholly-owned by Century River Investment, which is in turn wholly-owned by Mr. Zhu. Therefore, Mr. Zhu and Century River Investment are deemed to be interested in the Shares directly held by Century River.

(2) Pursuant to the concert party confirmation, Mr. Zhu and Ms. Zhu have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. As such, Mr. Zhu and Ms. Zhu, together with Century River, Century River Investment, Red Palm, Amber Tree and Red Palm Investment, are all deemed to be interested in the total Shares directly held by Century River, Red Palm and Amber Tree.

(3) Mr. Ren Ai wholly-owns Spruce Wood Investment Holdings Limited, and is therefore deemed to be interested in the Shares directly held by Spruce Wood Investment Holdings Limited.

(4) Mr. Ren Ai is the spouse of Ms. Zhu, and is therefore deemed to be interested in the Shares which are interested by Ms. Zhu.

(5) The letter "L" denotes the entity's long position in the Shares.

(6) As at June 30, 2022, the total number of issued Shares was 616,724,200.

Interests in the associated corporation

Name of Director/Chief Executive	Nature of interest	Name of associated corporation	Approximate percentage of interest
Mr. Zhu	Interest in a controlled corporation	Hygeia Hospital Management[1]	100%[2]
		VIE Hospitals (other than Hezhou Guangji Hospital)[3]	30%[4]
		Hezhou Guangji Hospital[3]	29%[8]
		Managed Hospital[5]	30%[6]
		Kaiyuan Jiehua Hospital Co., Ltd.	30%[9]
Mr. Ren Ai	Interest of spouse	Hygeia Hospital Management[1]	100%[2][7]
		VIE Hospitals (other than Hezhou Guangji Hospital)[3]	30%[4][7]
		Hezhou Guangji Hospital[3]	29%[7][8]
		Managed Hospital[5]	30%[6][7]
		Kaiyuan Jiehua Hospital Co., Ltd.	30%[7][9]

Notes:

(1) Hygeia Hospital Management is a subsidiary of the Company by virtue of the contractual arrangements and therefore, is an associated corporation of the Group.

(2) Mr. Zhu and his daughter, Ms. Zhu holds 40% and 60% equity interest, respectively, in Xiangshang Investment which in turn holds 100% equity interest in Hygeia Hospital Management, and therefore, Mr. Zhu and Ms. Zhu is deemed to be interested in the equity interest in Hygeia Hospital Management held by Xiangshang Investment.

(3) Each of the VIE Hospitals is a subsidiary of the Company and therefore, is an associated corporation of the Group.

(4) Hygeia Hospital Management holds 30% equity interest in each of the VIE Hospital (except for Hezhou Guangji Hospital in which Hygeia Hospital Management holds 29% equity interest, as of June 30, 2022. Hygeia Hospital Management subsequently entered into an equity transfer agreement to acquire 1% equity interest of Hezhou Guangji Hospital on July 25, 2022), and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of the VIE Hospitals held by Hygeia Hospital Management.

(5) The organizer's interest of the Managed Hospital was held by us and Xiangshang Investment as to 70% and 30%, respectively, and therefore the Managed Hospital is an associated corporation of the Group. The changes of 30% organizer's interest in Handan Renhe Hospital has not been filed with the competent authorities due to practical difficulties. Handan Renhe Hospital will complete such filings as soon as practicable under applicable laws.

(6) Xiangshang Investment holds 30% organizer's interest in the Managed Hospital, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the organizer's interest in the Managed Hospital held by Xiangshang Investment.

(7) Mr. Ren Ai is the spouse of Ms. Zhu and therefore, is deemed to be interested in the equity interest which is interested by Ms. Zhu.

(8) Hygeia Hospital Management holds 29% equity interest in Hezhou Guangji Hospital, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of Hezhou Guangji Hospital held by Hygeia Hospital Management, as of June 30, 2022. Hygeia Hospital Management subsequently entered into an equity transfer agreement to acquire 1% equity interest of Hezhou Guangji Hospital on July 25, 2022.

(9) Xiangshang Investment holds 30% equity interest in Kaiyuan Jiehua Hospital Co., Ltd. and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the 30% equity interest of Kaiyuan Jiehua Hospital Co., Ltd. held by Xiangshang Investment. Kaiyuan Jiehua Hospital Co., Ltd. currently operates a private for-profit hospital whose predecessor is Kaiyuan Jiehua Hospital, one of the private not-for-profit hospitals managed by the Group. Xiangshang Investment subsequently entered into an equity transfer agreement to sell 30% equity interest of Kaiyuan Jiehua Hospital Co., Ltd. to Hygeia Hospital Management on September 6, 2022, further details of which are set out in the announcement of the Company dated September 6, 2022.

Save as disclosed above, as of June 30, 2022, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme as disclosed in the paragraph headed "Share Option Scheme" of this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF THE PART XV OF THE SFO

As of June 30, 2022, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Century River Investment[(1)(3)]	Interest in a controlled corporation/ Interest of concert parties	281,424,815 (L)	45.63%
Century River[(1)(3)]	Interest of concert parties/ Beneficial interest	281,424,815 (L)	45.63%
Ms. Zhu[(2)(3)(4)]	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	281,424,815 (L)	45.63%
Red Palm Investment[(2)(3)]	Interest in a controlled corporation/Interest of concert parties	281,424,815 (L)	45.63%
Amber Tree[(2)(3)]	Beneficial interest/Interest of concert parties	281,424,815 (L)	45.63%
Red Palm[(2)(3)]	Beneficial interest/Interest of concert parties	281,424,815 (L)	45.63%

Notes:

(1) Century River is wholly-owned by Century River Investment, which is in turn wholly-owned by Mr. Zhu. Therefore, Mr. Zhu and Century River Investment are deemed to be interested in the Shares directly held by Century River.

(2) Each of Red Palm and Amber Tree is wholly-owned by Red Palm Investment, which is in turn wholly-owned by Ms. Zhu. Therefore, Ms. Zhu and Red Palm Investment are deemed to be interested in the total Shares directly held by Amber Tree and Red Palm.

(3) Pursuant to the concert party confirmation, Mr. Zhu and Ms. Zhu have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. As such, Mr. Zhu and Ms. Zhu, together with Century River, Century River Investment, Red Palm, Amber Tree and Red Palm Investment, are all deemed to be interested in the total Shares directly held by Century River, Red Palm and Amber Tree.

(4) Spruce Wood Investment Holdings Limited is wholly-owned by Mr. Ren Ai. Therefore, Mr. Ren Ai is deemed to be interested in the Shares directly held by Spruce Wood Investment Holdings Limited. Ms. Zhu is the spouse of Mr. Ren Ai, and is therefore deemed to be interested in the Shares which are interested by Mr. Ren Ai by virtue of the SFO.

(5) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, as of June 30, 2022, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

The Company approved and adopted a pre-IPO share award scheme (the "**Pre-IPO Share Award Scheme**") on July 17, 2019 to reward the participants Shares pursuant to the applicable awarded share subscription agreement (the "**Awarded Share**") or awards of restricted shares unit (the "**RSU**"), in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire Shares of the Company.

All of the Shares under the Pre-IPO Share Award Scheme including 16,440 Awarded Shares (which was subdivided into 164,400 Shares after a share subdivision on September 18, 2019) and RSUs in respect of 6,578 Shares (which was subdivided into 65,780 Shares after a share subdivision on September 18, 2019) had been issued or granted to one Director, one senior management member and one employee or consultant. The Pre-IPO Share Award Scheme was terminated upon the Listing and no Shares or RSUs have been and would be issued or granted under the Share Award Scheme after the Listing.

For more details of the Pre-IPO Share Award Scheme, please refer to the "D. Pre-IPO Share Incentive Plans — 2. Pre-IPO Share Award Scheme" of Appendix IV of the Prospectus.

PRE-IPO RESTRICTED SHARE SCHEME

The Company approved and adopted the Pre-IPO Restricted Share Scheme on July 17, 2019 to reward the participants for their contributions in the development of the Group, provide the participants with the opportunity to receive proprietary interests in the Shares and to encourage the participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Persons eligible to receive the restricted shares (the "**Restricted Shares**") under the Pre-IPO Restricted Share Scheme are the core employees or consultant of any member of the Group whom the Board considers, in its sole discretion, to have contributed or will contribute to the growth and development of the Group.

For more details of the Pre-IPO Restricted Share Scheme, please refer to the "D. Pre-IPO Share Incentive Plans — 1. Pre-IPO Restricted Share Scheme" of Appendix IV of the Prospectus.

SHARE OPTION SCHEME

In order to improve the governance structure of the Company and to effectively attract, motivate and retain talents, the Company has adopted a share option scheme on October 15, 2021 (the "**Share Option Scheme**").

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares ("**Share Options**" or "**Option(s)**"), which represents 3% of the total number of issued Shares of the Company as at October 15, 2021. No Options shall be granted to any eligible person ("**Relevant Eligible Person**") if the number of Shares issued and to be issued upon the exercise of all Options granted and to be granted (including exercised, cancelled and outstanding options) to the Relevant Eligible Person in the 12-month period up to and including the offer date of the relevant Option would exceed 1% of the total number of Shares in issue at such time. The Share Option Scheme will be valid and effective for a period of 10 years commencing from October 15, 2021. The exercise period of the granted options will be ten (10) years from the date of grant. During the year ended December 31, 2021 (the "**2021 Period**"), no Share Options were exercised.

An offer shall be deemed to have been granted and the Option to which the offer relates shall be deemed to have been accepted when the Company receives the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance of the Option price, being HK$1.00 payable for each acceptance of grant of an Option, to the Company. The exercise price of the Share Options shall be a price determined by the Board and the basis of which shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (c) the nominal value of a Share.

The Share Option Scheme does not stipulate either a minimum period for which an Option must be held before an Option may be exercised. However, under the Share Option Scheme, the board may in its absolute discretion specify such conditions, restrictions or limitations as it thinks fit when making an Offer to an eligible person (including, without limitation, as to any performance targets which must be satisfied by the eligible person and/or the Company and/or its subsidiaries, and any minimum period for which an Option must be held, before an Option may be exercised, if any), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

The exercise price of the Share Options granted is HK$66.80 per Share, representing the highest of: (i) the closing price of HK$66.80 per Share as stated in the Stock Exchange's daily quotations sheet on the grant date; (ii) the average closing price of HK$63.96 per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of US$0.00001 per Share.

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the date of grant and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Details of the movements of the Options granted and outstanding during the Reporting Period, the exercise price, the vesting date and the impact of Options granted under the Share Option Scheme on the financial statements are set out in the announcement of the Company dated August 24, 2021 and circular of the Company dated September 23, 2021 and under Note 25 to the interim condensed consolidated financial statements.

The table below shows details of the movements in the Share Options granted and outstanding under the Share Option Scheme during the 2021 Period:

Category of Participants	Date of Grant	Exercise Price per share	Closing price of Shares immediately before the date of grant	Outstanding as at January 1, 2021	Granted during the 2021 Period	Vested as at December 31, 2021	Exercised during the 2021 Period	Lapsed/ forfeited during the 2021 Period *(Note 4)*	Outstanding as at December 31, 2021	Vesting date *(Note 3)*
Directors										
Mr. Zhu Yiwen	November 12, 2021	HK$66.80	HK$66.05	–	280,000	–	–	–	280,000	*(Note 1)*
Ms. Cheng Huanhuan	November 12, 2021	HK$66.80	HK$66.05	–	80,000	–	–	–	80,000	*(Note 1)*
Mr. Ren Ai	November 12, 2021	HK$66.80	HK$66.05	–	120,000	–	–	–	120,000	*(Note 1)*
Mr. Zhang Wenshan	November 12, 2021	HK$66.80	HK$66.05	–	60,000	–	–	–	60,000	*(Note 1)*
Ms. Jiang Hui	November 12, 2021	HK$66.80	HK$66.05	–	60,000	–	–	–	60,000	*(Note 1)*
Sub-total				–	600,000	–	–	–	600,000	
Employees in aggregate										
562 employees	November 12, 2021	HK$66.80	HK$66.05	–	7,283,000	–	–	24,000	7,259,000	*(Note 2)*
Sub-total				–	7,283,000	–	–	24,000	7,259,000	
Total				–	7,883,000	–	–	24,000	7,859,000	

Notes:

Note 1

As of December 31, 2021, the vesting dates of the Share Options granted to the Directors are as follows:

Number of Share Options	Vesting date
20% of the total Share Options	March 31, 2023;
20% of the total Share Options	March 31, 2024;
20% of the total Share Options	March 31, 2025;
20% of the total Share Options	March 31, 2026; and
20% of the total Share Options	March 31, 2027.

Note 2

As of December 31, 2021, the vesting dates of the Share Options granted to the employees are as follows:

Number of Share Options	Vesting date
20% of the total Share Options	March 31, 2023;
20% of the total Share Options	March 31, 2024;
20% of the total Share Options	March 31, 2025;
20% of the total Share Options	March 31, 2026; and
20% of the total Share Options	March 31, 2027.

Note 3

The vesting of the Share Options is conditional on the fulfillment of certain performance targets, which are set out in the respective letter of offer of each Relevant Eligible Person.

Note 4

Where the Share Options are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such share options are reversed on the effective date of the forfeiture.

The table below shows details of the movements in the Share Options granted and outstanding under the Share Option Scheme during the Reporting Period:

Category of Participants	Date of Grant	Exercise Price per share	Closing price of Shares immediately before the date of grant	Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested as at June 30, 2022	Exercised during the Reporting Period	Lapsed/ forfeited during the Reporting Period *(Note 4)*	Outstanding as at June 30, 2022	Vesting date *(Note 3)*
Directors										
Mr. Zhu Yiwen	November 12, 2021	HK$66.80	HK$66.05	280,000	–	–	–	–	280,000	*(Note 1)*
Ms. Cheng Huanhuan	November 12, 2021	HK$66.80	HK$66.05	80,000	–	–	–	–	80,000	*(Note 1)*
Mr. Ren Ai	November 12, 2021	HK$66.80	HK$66.05	120,000	–	–	–	–	120,000	*(Note 1)*
Mr. Zhang Wenshan	November 12, 2021	HK$66.80	HK$66.05	60,000	–	–	–	–	60,000	*(Note 1)*
Ms. Jiang Hui	November 12, 2021	HK$66.80	HK$66.05	60,000	–	–	–	–	60,000	*(Note 1)*
Sub-total				600,000	–	–	–	–	600,000	
Employees in aggregate										
557 employees	November 12, 2021	HK$66.80	HK$66.05	7,259,000	–	–	–	179,000	7,080,000	*(Note 2)*
Sub-total				7,259,000	–	–	–	179,000	7,080,000	
Total				7,859,000	–	–	–	179,000	7,680,000	

Notes:

Note 1

As of June 30, 2022, the vesting dates of the Share Options granted to the Directors are as follows:

Number of Share Options	Vesting date
20% of the total Share Options	March 31, 2023;
20% of the total Share Options	March 31, 2024;
20% of the total Share Options	March 31, 2025;
20% of the total Share Options	March 31, 2026; and
20% of the total Share Options	March 31, 2027.

Note 2

As of June 30, 2022, the vesting dates of the Share Options granted to the employees are as follows:

Number of Share Options	Vesting date
20% of the total Share Options	March 31, 2023;
20% of the total Share Options	March 31, 2024;
20% of the total Share Options	March 31, 2025;
20% of the total Share Options	March 31, 2026; and
20% of the total Share Options	March 31, 2027.

Note 3

The vesting of the Share Options is conditional on the fulfillment of certain performance targets, which are set out in the respective letter of offer of each Relevant Eligible Person.

Note 4

Where the Share Options are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such share options are reversed on the effective date of the forfeiture.

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

During the Reporting Period, the Company repurchased a total of 1,275,800 Shares on the Stock Exchange on January 26, January 27, February 4, February 8 and February 9, 2022 with an aggregate amount of HK$44,047,580. As of the date of this report, the repurchased Shares have been cancelled by the Company.

SUBSEQUENT EVENT

On July 25, 2022, the Group signed the acquisition agreement of 1% equity interest in Hezhou Guangji Hospital. Details in relation to the acquisition were set out in the announcement of the Company dated July 25, 2022.

On September 6, 2022, the Group signed the acquisition agreement of 30% equity interest in Kaiyuan Jiehua Hospital Co., Ltd.. Details in relation to the acquisition were set out in the announcement of the Company dated September 6, 2022.

Save as disclosed above and in Note 35 to the interim condensed consolidated financial statements, there was no significant event that might affect the Group after the Reporting Period.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF HYGEIA HEALTHCARE HOLDINGS CO., LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 84, which comprises the interim condensed consolidated statement of financial position of Hygeia Healthcare Holdings Co., Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 31, 2022

Interim Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended June 30,	
	Notes	**2022** ***RMB'000***	2021 *RMB'000*
Revenue	*5*	**1,526,232**	931,701
Cost of revenue	*5, 8*	**(1,028,416)**	(616,724)
Gross profit		**497,816**	314,977
Selling expenses	*8*	**(9,090)**	(9,042)
Administrative expenses	*8*	**(139,353)**	(76,647)
Other income	*6*	**5,951**	7,470
Other (losses)/gains — net	*7*	**(40,693)**	25,392
Operating profit		**314,631**	262,150
Finance income	*10*	**8,158**	1,102
Finance costs	*10*	**(15,572)**	(4,889)
Finance costs — net		**(7,414)**	(3,787)
Profit before income tax		**307,217**	258,363
Income tax expense	*11*	**(79,053)**	(53,212)
Profit and total comprehensive income for the period		**228,164**	205,151
Profit and total comprehensive income attributable to			
— Owners of the Company		**224,209**	197,604
— Non-controlling interests		**3,955**	7,547
Earnings per share			
— Basic earnings per share (in RMB)	*12*	**0.36**	0.32
— Diluted earnings per share (in RMB)	*12*	**0.36**	0.32

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

Interim Condensed Consolidated Statement of Financial Position

	Notes	Unaudited As at June 30, 2022 RMB'000	Audited As at December 31, 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,710,787	2,517,144
Intangible assets	14	2,378,744	2,381,150
Prepayments for non-current assets	17	38,276	50,082
Deferred income tax assets	15	22,214	17,790
Total non-current assets		5,150,021	4,966,166
Current assets			
Inventories	16	108,889	107,180
Trade, other receivables and prepayments	17	628,946	499,663
Amounts due from related parties	32	14,678	9,460
Financial assets at fair value through profit or loss	19	116,536	397,400
Cash and cash equivalents	20	888,376	707,069
Total current assets		1,757,425	1,720,772
Total assets		6,907,446	6,686,938
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	21	7,047,087	7,082,915
Other reserves	22	(2,910,201)	(2,929,602)
Retained earnings	23	527,350	303,141
		4,664,236	4,456,454
Non-controlling interests		25,213	21,258
Total equity		4,689,449	4,477,712

	Notes	**Unaudited As at June 30, 2022** ***RMB'000***	Audited As at December 31, 2021 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**1,159,605**	1,196,478
Deferred income tax liabilities	*15*	**121,157**	115,250
Deferred revenue	*26*	**33,551**	34,431
Lease liabilities	*27*	**266**	416
Other non-current liabilities	*28*	**7,770**	8,044
Total non-current liabilities		**1,322,349**	1,354,619
Current liabilities			
Trade and other payables	*29*	**668,328**	732,461
Amounts due to related parties	*32*	**–**	48
Contract liabilities	*30*	**33,145**	32,485
Current income tax liabilities		**62,153**	54,848
Lease liabilities	*27*	**1,802**	392
Borrowings	*24*	**130,220**	34,373
Total current liabilities		**895,648**	854,607
Total liabilities		**2,217,997**	2,209,226
Total equity and liabilities		**6,907,446**	6,686,938

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The interim condensed consolidated financial information on pages 35 to 84 was approved by the board of directors on August 31, 2022 and was signed on its behalf:

Zhu Yiwen
Director

Ren Ai
Director

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to owners of the Company					
	Notes	Share capital and premium *RMB'000* *(Note 21)*	Other reserves *RMB'000* *(Note 22)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2022		7,082,915	(2,929,602)	303,141	4,456,454	21,258	4,477,712
Comprehensive income							
Profit for the period		–	–	224,209	224,209	3,955	228,164
Total comprehensive income for the period		–	–	224,209	224,209	3,955	228,164
Transactions with owners in their capacity as owners							
Repurchased ordinary shares	21	(35,828)	–	–	(35,828)	–	(35,828)
Share-based compensation	22, 25	–	19,401	–	19,401	–	19,401
Total transactions with owners in their capacity as owners		(35,828)	19,401	–	(16,427)	–	(16,427)
Balance at June 30, 2022		7,047,087	(2,910,201)	527,350	4,664,236	25,213	4,689,449

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

	Notes	Share capital and premium RMB'000 (Note 21)	Shares held for employee share scheme RMB'000	Other reserves RMB'000 (Note 22)	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Unaudited						
		Attributable to owners of the Company						
Balance at January 1, 2021		7,123,502	–*	(2,747,909)	(107,826)	4,267,767	73,610	4,341,377
Comprehensive income								
Profit for the period		–	–	–	197,604	197,604	7,547	205,151
Total comprehensive income for the period		–	–	–	197,604	197,604	7,547	205,151
Transactions with owners in their capacity as owners								
Share-based compensation	*22*	–	–	9	–	9	–	9
Exercise of employee share scheme		33,494	–*	(33,494)	–	–	–	–
Dividends	*31*	–	–	–	(74,081)	(74,081)	–	(74,081)
Non-controlling interests arising from business combination		–	–	–	–	–	3,574	3,574
Total transactions with owners in their capacity as owners		33,494	–	(33,485)	(74,081)	(74,072)	3,574	(70,498)
Balance at June 30, 2021		7,156,996	–	(2,781,394)	15,697	4,391,299	84,731	4,476,030

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

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended June 30 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations		**353,321**	196,935
Interest received		**8,158**	1,102
Income tax paid		**(70,265)**	(35,035)
Net cash generated from operating activities		**291,214**	163,002
Cash flows from investing activities			
Purchases of property, plant and equipment		**(259,056)**	(250,493)
Proceeds from disposal of property, plant and equipment and intangible assets		**2,774**	1,280
Purchases of intangible assets		**(2,897)**	(1,235)
Payments for acquisition of subsidiaries, net of cash acquired		**(74,447)**	(1,713,836)
Payments for purchases of financial assets at fair value through profit or loss	3	**(176,156)**	(2,558,830)
Proceeds from disposals of financial assets at fair value through profit or loss	3	**458,721**	3,765,349
Net cash used in investing activities		**(51,061)**	(757,765)
Cash flows from financing activities			
Payments for repurchase of ordinary shares	21	**(35,828)**	–
Payments for acquisition of additional shares of a subsidiary		**(11,836)**	–
Borrowing interest paid		**(20,856)**	(4,009)
Repayments of bank borrowings		**(18,326)**	(70,000)
Proceeds from bank borrowings		**26,709**	986,845
Payments of lease liabilities		**(1,606)**	(1,135)
Net cash (used in)/generated from financing activities		**(61,743)**	911,701
Net increase in cash and cash equivalents		**178,410**	316,938
Effect on exchange rate difference		**2,897**	(2,923)
Cash and cash equivalents at beginning of the period		**707,069**	385,104
Cash and cash equivalents at end of the period		**888,376**	699,119

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 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;

(ii) (a) Provision of radiotherapy business to certain third-party hospitals in connection with their radiotherapy centers, including: provision of radiotherapy center consulting services, licensing of radiotherapy equipment for use in the radiotherapy centers, and provision of maintenance and technical support services in relation to radiotherapy equipment;

(b) Provision of management services to private not-for-profit hospitals; and

(c) Sales of pharmaceutical, medical consumables and medical equipment to third parties.

In light of the minimal revenue contribution from abovementioned (a), (b) and (c) to the Group's total revenue for the six months ended June 30, 2022, the Group classified them as "Other Business". The same classification was applied to the revenue for the six months ended June 30, 2021 for comparative purpose.

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

The Company completed its initial public offerings and listed its shares on Main Board of the Stock Exchange of Hong Kong Limited ("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.

1.2 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 and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and any public announcements made by the Company during the six months ended June 30, 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2021, as described in those annual financial statements, 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are disclosed in Note 4.

2.1 Amendments to IFRSs effective for the financial year beginning on or after January 1, 2022 but do not have a material impact on the Group

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts — 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 to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual Improvements to IFRS Standards 2018 to 2020	January 1, 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	January 1, 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statement of financial position are as follows:

	As at June 30, 2022 *RMB'000* *(Unaudited)*	As at December 31, 2021 *RMB'000* *(Audited)*
Assets		
USD	**20,440**	7,722
HKD	**519**	39
	20,959	7,761
Liabilities		
USD	**1,006,871**	988,584

If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2022 and the year ended December 31, 2021 would have been approximately RMB49,322,000 and RMB49,043,000 higher/lower.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

Financial liabilities issued at variable rates expose the Group to cash flow interest-rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	As at June 30, 2022		As at December 31, 2021	
	RMB'000 (Unaudited)	**% of total borrowings**	*RMB'000 (Audited)*	% of total borrowings
Floating-rate bank borrowings	**1,045,371**	**81%**	1,013,106	82%
Fixed-rate bank borrowings — repricing or maturity dates:				
— Within 1 year	**48,891**	**4%**	21,774	2%
— Between 1 and 2 years	**–**	**–**	21,774	2%
— Between 2 and 5 years	**195,563**	**15%**	174,197	14%
	1,289,825	**100%**	1,230,851	100%

As at June 30, 2022, bank borrowings of the Group which were bearing at floating rates amounted to approximately RMB1,045,371,000. For the six months ended June 30, 2022, if the floating interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the pre-tax profit would have been RMB2,613,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by the management, see Note 3.3 for detail.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties, financial assets at fair value through profit or loss and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, financial assets at fair value through profit or loss and cash deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

The Group's trade receivables are mainly from providing medical service to patients as well as providing services to the radiotherapy centers and trustee hospitals. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing significant revenue. However, the Group has concentrated debtor's portfolio, as most of the patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations may take one to twelve months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policy, fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimise the credit risk. For the receivables from the radiotherapy centers and trustee hospitals, the Group has granted credit term of 0–90 days and would follow up actively on the settlement with respective counter-parties to avoid any overdue receivables.

For other receivables and amounts due from related parties, the management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The management believes that there is no significant 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with that as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

— internal credit rating;

— external credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

— actual or expected significant changes in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

— significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

The Group uses four categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 2 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates for each aging bucket are derived base on the probability of a receivable progressing through successive stages of delinquency to write-off.

The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

The management of the Company use roll rate method to assess the expected credit loss rate and assume that trade receivables will experience loss when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 2 years since invoice date. Based on the roll rate model built, the management of the Company considered that the expected credit loss of trade receivables is immaterial.

(ii) Other receivables and amounts due from related parties

Other receivables at amortized cost mainly include deposits receivables and advance to employees.

As at June 30, 2022 and December 31, 2021, the management of the Company considered that other receivables were performing and within stage 1. The Group considered the 12-month expected credit losses of the other receivables are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below sets out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*	Carrying Amount *RMB'000*
As at June 30, 2022 (Unaudited)					
Trade and other payables excluding non-financial liabilities	453,264	–	–	453,264	453,264
Lease liabilities	1,876	270	–	2,146	2,068
Borrowings	174,051	1,007,612	214,744	1,396,407	1,289,825
Total	629,191	1,007,882	214,744	1,851,817	1,745,157
As at December 31, 2021 (Audited)					
Trade and other payables excluding non-financial liabilities	516,709	–	–	516,709	516,709
Lease liabilities	426	426	–	852	808
Borrowings	69,055	143,573	1,116,486	1,329,114	1,230,851
Amounts due to related parties	48	–	–	48	48
Total	586,238	143,999	1,116,486	1,846,723	1,748,416

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. As at June 30, 2022 and December 31, 2021, the gearing ratio of the Group were as follows:

	As at June 30, 2022 ***RMB'000*** ***(Unaudited)***	As at December 31, 2021 *RMB'000* *(Audited)*
Net debt	**403,517**	524,590
Total equity	**4,689,449**	4,477,712
Gearing ratio	**9%**	12%

3.3 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value, an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

As at June 30, 2022 and December 31, 2021, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the six months ended June 30, 2022 and the year ended December 31, 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2022 and the year ended December 31, 2021.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial assets at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows approach.

The following table presents the changes in level 3 instruments during the period.

	For the six months ended June 30, 2022 ***RMB'000*** ***(Unaudited)***	For the year ended December 31, 2021 *RMB'000* *(Audited)*
Balance at beginning of the period/year	**397,400**	2,196,926
Additions	**176,156**	3,204,173
Changes in fair value	**1,701**	46,279
Disposals	**(458,721)**	(5,049,978)
Balance at end of the period/year	**116,536**	397,400

The unobservable inputs of financial assets at fair value through profit or loss are expected return rate and discounted rate. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rate of the investments in financial assets at fair value through profit or loss with floating rate range 1.1% to 3.70% for the six months ended June 30, 2022. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the pre-tax profit for the six months ended June 30, 2022 would have been approximately RMB1,165,000 higher/lower.

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, amounts due from related parties, trade and other receivables (excluding prepayments), trade and other payables (excluding non-financial liabilities), and amounts due to related parties approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment assessment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense as percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

Based on management's assessment, no material adverse indication shows that goodwill has suffered any impairment during the six months ended June 30, 2022.

(b) Assessment of controls over not-for-profit hospital founded by the Group

Handan Renhe Hospital, a not-for-profit hospital, was founded by the Group. Despite the fact that the Group founded the hospital, the Group is not entitled to the dividend of the hospital in accordance with relevant PRC rules and regulation. The Group has entered into agreement with the hospital in which the Group obtains contractual right to provide management services of the not-for-profit hospital for certain periods and is entitled to receive performance-based management fee.

The Group has exercised significant judgements in determining whether the Group has control over Handan Renhe Hospital. In exercising such judgement, the Group considers the purpose and design of the hospital, what the relevant activities are and how decisions about those activities are made, whether the rights of the Group give the Group current ability to direct the relevant activities, whether the rights exercisable by other parties as internal governance body members are substantive, whether the Group is exposed, or has rights, to variable returns from its involvement with the hospital, and whether the Group has the ability to use its power over the hospital to affect the amount of the Group's returns.

After the assessment, the management has concluded that the Group does not have the decision-making power over internal governance body to direct the relevant activities of the not-for-profit hospital, so the Group does not control and thus does not consolidate the not-for-profit hospital. Instead, the Group receives service income from the hospital through management contract.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Current and deferred income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets may be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(d) Business combination

The Group accounts for business combinations by using acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates and the forecasted cash flows, as well as the assumptions and estimates used based on the risk inherent in the related activity's current business model and industry comparisons.

(e) Share-based compensation expenses

As disclosed in Note 25, the Company has granted share options to the Group's employees. The management has used the binomial option pricing model to determine the total fair value of the awarded options granted to employees, which is to be expensed over the vesting period. Significant estimates on assumptions, such as the expected volatility, expected exercise multiple, and risk-free interest rate, are required to be made by the management in applying the binomial option pricing model. The management applies judgements and estimates, such as employee performance, employee forfeiture rate and achievement of performance and service conditions, in determining share-based payment expenses.

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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 make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

— Hospital Business; and

— Other Business.

The CODM assesses the performance of the operating segments mainly based on segment revenue, segment cost of revenue, gross profit, and operating profit. 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 following items are not allocated to individual operating segments:

(i) Administrative expense, other income and other gains/(losses) – net incurred by the entities which perform the management functions as the headquarter, finance costs – net, and income tax expenses; and

(ii) Assets and liabilities of the entities which perform the management functions as the headquarter, deferred income tax assets and deferred income tax liabilities.

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Description of segments and principal activities (Continued)

	Unaudited Six months ended June 30, 2022			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	1,445,567	80,665	–	1,526,232
Cost of revenue	(994,861)	(33,555)	–	(1,028,416)
Gross profit	450,706	47,110	–	497,816
Selling expenses	(9,090)	–	–	(9,090)
Administrative expenses	(106,695)	(9,818)	(22,840)	(139,353)
Other income	5,701	244	6	5,951
Other gains/(losses) – net	4,922	424	(46,039)	(40,693)
Segment profit	345,544	37,960	(68,873)	314,631
Finance income				8,158
Finance costs				(15,572)
Finance costs – net				(7,414)
Profit before income tax				307,217
Other segment information				
Depreciation of property, plant, and equipment	59,896	6,774	1,194	67,864
Amortization of intangible assets	4,746	349	208	5,303

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Description of segments and principal activities (Continued)

	Unaudited Six months ended June 30, 2021			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	850,788	80,913	–	931,701
Cost of revenue	(588,189)	(28,535)	–	(616,724)
Gross profit	262,599	52,378	–	314,977
Selling expenses	(9,042)	–	–	(9,042)
Administrative expenses	(54,570)	(8,814)	(13,263)	(76,647)
Other income	2,455	3,998	1,017	7,470
Other gains/(losses) – net	523	(1,801)	26,670	25,392
Segment profit	201,965	45,761	14,424	262,150
Finance income				1,102
Finance costs				(4,889)
Finance costs – net				(3,787)
Profit before income tax				258,363
Other segment information				
Depreciation of property, plant, and equipment	36,464	6,107	1,155	43,726
Amortization of intangible assets	2,326	788	213	3,327

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Description of segments and principal activities (Continued)

	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at June 30, 2022 (Unaudited)				
Assets				
Segment Assets	**3,575,820**	**174,934**	**899,202**	**4,649,956**
Goodwill	**2,235,276**	**–**	**–**	**2,235,276**
Deferred income tax assets				**22,214**
Total Assets				**6,907,446**
Liabilities				
Segment Liabilities	**1,975,177**	**41,962**	**79,701**	**2,096,840**
Deferred income tax liabilities				**121,157**
Total Liabilities				**2,217,997**
Other segment information				
Additions of non-current assets except for deferred income tax assets for the period	**251,084**	**2,688**	**2,880**	**256,652**
As at December 31, 2021 (Audited)				
Assets				
Segment Assets	3,252,184	162,133	1,019,555	4,433,872
Goodwill	2,235,276	–	–	2,235,276
Deferred income tax assets				17,790
Total Assets				6,686,938
Liabilities				
Segment Liabilities	2,032,214	45,793	15,969	2,093,976
Deferred income tax liabilities				115,250
Total Liabilities				2,209,226
Other segment information				
Additions of non-current assets except for deferred income tax assets for the year	3,321,928	12,761	384	3,335,073

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business lines and nature

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Hospital Business		
— Outpatient services	**513,344**	271,896
— Inpatient services	**932,223**	578,892
Other Business	**80,665**	80,913
Total revenue	**1,526,232**	931,701
Including revenue from contracts with customers	**1,499,432**	901,908

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
— Inpatient services	**61,043**	40,149
— Other Business	**42,420**	44,451
Over time	**103,463**	84,600
— Inpatient services	**871,180**	538,743
— Outpatient services	**513,344**	271,896
— Other Business	**11,445**	6,669
At a point in time	**1,395,969**	817,308
Revenue from contracts with customers	**1,499,432**	901,908

(c) Geographical information

The Company is domiciled in the Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the six months ended June 30, 2022 and 2021.

6 OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grants *(a)*	**5,300**	5,798
Others	**651**	1,672
	5,951	7,470

(a) The government grants include those grants from the local governments 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 (Note 26).

7 OTHER (LOSSES)/GAINS — NET

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Realised and unrealised gains on financial assets at fair value through profit or loss	**1,701**	29,633
Gains/(losses) on disposal of property, plant and equipment	**415**	(2,409)
Net foreign exchange losses	**(47,693)**	(2,923)
Others	**4,884**	1,091
	(40,693)	25,392

8 EXPENSES BY NATURE

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Employee benefit expenses *(Note 9)*	**496,390**	269,786
Cost of pharmaceuticals, medical consumables and other inventories	**434,910**	248,195
Depreciation and amortization *(Notes 13 and 14)*	**73,167**	47,053
Consultancy and professional service fees	**50,885**	48,190
Radiotherapy service fees	**40,947**	35,590
Utilities, cleaning and afforestation expenses	**31,377**	15,024
Travelling, entertainment, vehicle and office expenses	**14,018**	11,176
Taxation expenses	**8,500**	2,473
Repair and maintenance	**4,729**	4,597
Marketing and promotion	**2,068**	3,631
Rental expenses	**1,101**	247
Auditor's remuneration		
— Audit	**1,050**	1,000
— Non-audit	**–**	–
Other expenses	**17,717**	15,451
	1,176,859	702,413

9 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analysed as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Salaries, wages and bonuses	**427,994**	243,685
Employer's contribution to retirement benefit plan *(a)*	**20,972**	13,742
Allowances and benefits in kind	**28,023**	12,350
Share-based compensation expenses	**19,401**	9
	496,390	269,786

(a) The Group has participated in:

(i) Certain defined contribution retirement benefit plans organised by the local governments in the PRC for its employees in the PRC. The Group is required to make monthly defined contributions to these plans based on certain percentage of the basic salary of employees and there is no available forfeiture to the Group to reduce the level of the Group's contributions if the employees resigned from the Group; and

(ii) Under the supplementary defined contribution retirement benefit plans (the "Corporate Pension Plan"), the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contributions were utilised during the six months ended June 30, 2022 (the six months ended June 30, 2021: nil) and there was RMB169,000 available at June 30, 2022 to reduce future contributions. As at June 30, 2022, no contribution was payable to the Corporate Pension Plan (December 31, 2021: nil).

10 FINANCE COSTS — NET

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Finance income:		
Interest income of bank savings	**8,158**	1,102
Finance costs:		
Interest on borrowings	**(21,346)**	(4,821)
Interest expenses on leasing liabilities	**(53)**	(68)
	(21,399)	(4,889)
Amount capitalised *(i)*	**5,827**	–
Finance costs expensed	**(15,572)**	(4,889)
Finance costs — net	**(7,414)**	(3,787)

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the six months ended June 30,2022, in this case 3.55% (the six months ended June 30, 2021: nil).

11 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax		
— PRC corporate income tax	**77,570**	41,511
Deferred income tax *(Note 15)*	**1,483**	11,701
	79,053	53,212

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.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

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 Cancer Hospital Co., Ltd., Hezhou Guangji Hospital Co., Ltd. ("Hezhou Guangji Hospital"), Kaiyuan Jiehua Hospital Co., Ltd. and Hygeia Medical Management (Chongqing) Co., Ltd. were established in the western region of the PRC. Pursuant to the relevant laws and regulations, entities located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the concession rate of 15% if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The construction and service of general medical facilities business of the above entities comply with the policies which are subject to a tax concession rate of 15% from year 2021 to 2030.

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("Gamma Star Tech"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% during the period. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech is expected to qualify as a "High and New Technology Enterprise" after the expire date and thus is expected to further be subjected to a 15% preferential tax rate.

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 June 30, 2022, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB837,820,000 (as at December 31, 2021: RMB551,532,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

11 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of income tax expense

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before income tax	**307,217**	258,363
Tax calculated at applicable statutory tax rate of 25%	**76,804**	64,591
Effect of differential tax rates	**(2,658)**	(10,756)
Items not deductible for tax purposes	**5,552**	227
Utilisation of previously unrecognised tax losses	**–**	(126)
Tax preference	**(645)**	(724)
	79,053	53,212

12 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, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	**224,209**	197,604
Weighted average number of shares in issue	**616,919,489**	618,000,000
Basic earnings per share (in RMB)	**0.36**	0.32

(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. In November 2021, the Company had share options granted to employees (Note 25). For the six months ended June 30, 2022, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares (for the six months ended June 30, 2021: not applicable). During the six months ended June 30, 2022, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the six months ended June 30, 2022 and 2021 are the same as basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Right-of-use for properties	Right-of-use for lands	Medical equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021 (Audited):									
Cost	957,820	7,666	599,715	654,618	16,224	65,452	28,489	552,130	2,882,114
Accumulated depreciation	(82,472)	(6,927)	(36,558)	(196,028)	(5,799)	(29,595)	(7,591)	–	(364,970)
Closing net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Six months ended June 30, 2022 (Unaudited):									
Opening net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Additions	1,614	2,815	7,034	63,707	169	6,742	5,015	178,465	265,561
Transfers upon completion	8,313	–	–	87,144	–	–	–	(95,457)	–
Disposals	(698)	–	(315)	(1,330)	–	(14)	(2)	–	(2,359)
Depreciation	(13,092)	(872)	(6,133)	(37,378)	(1,917)	(6,929)	(3,238)	–	(69,559)
Closing net book amount	871,485	2,682	563,743	570,733	8,677	35,656	22,673	635,138	2,710,787
At June 30, 2022 (Unaudited):									
Cost	966,690	10,481	606,434	800,128	16,393	72,097	33,502	635,138	3,140,863
Accumulated depreciation	(95,205)	(7,799)	(42,691)	(229,395)	(7,716)	(36,441)	(10,829)	–	(430,076)
Closing net book amount	871,485	2,682	563,743	570,733	8,677	35,656	22,673	635,138	2,710,787

	Buildings	Right-of-use for properties	Right-of-use for lands	Medical equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2020 (Audited):									
Cost	636,179	7,372	362,686	500,693	9,540	42,850	8,681	71,069	1,639,070
Accumulated depreciation	(61,410)	(5,112)	(26,362)	(152,368)	(3,853)	(20,542)	(3,573)	–	(273,220)
Closing net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Six months ended June 30, 2021 (Unaudited):									
Opening net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Additions	580	–	82,799	47,680	1,836	4,844	882	136,670	275,291
Acquisition of subsidiaries	241,595	294	63,035	47,482	1,169	4,003	14,124	2,579	374,281
Transfers upon completion	1,571	–	–	17,804	–	–	–	(19,375)	–
Disposals	(68)	–	–	(3,551)	–	(70)	–	–	(3,689)
Depreciation	(7,986)	(1,064)	(4,142)	(25,765)	(866)	(4,067)	(1,388)	–	(45,278)
Closing net book amount	810,461	1,490	478,016	431,975	7,826	27,018	18,726	190,943	1,966,455
At June 30, 2021 (Unaudited):									
Cost	879,853	7,666	508,520	604,915	12,545	51,578	23,687	190,943	2,279,707
Accumulated depreciation	(69,392)	(6,176)	(30,504)	(172,940)	(4,719)	(24,560)	(4,961)	–	(313,252)
Closing net book amount	810,461	1,490	478,016	431,975	7,826	27,018	18,726	190,943	1,966,455

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of the Group's property, plant and equipment has been recognized in the interim condensed consolidated statement of comprehensive income as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of sales	**46,796**	32,230
Administrative expenses	**21,068**	11,496
Capitalization	**1,695**	1,552
	69,559	45,278

14 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Contractual rights to provide management services RMB'000	Medical licenses RMB'000	Total RMB'000
At December 31, 2021 (Audited):					
Cost	**2,235,276**	**26,890**	**27,920**	**115,899**	**2,405,985**
Accumulated amortization	**–**	**(9,774)**	**(7,329)**	**(7,732)**	**(24,835)**
Net book amount	**2,235,276**	**17,116**	**20,591**	**108,167**	**2,381,150**
Six months ended June 30, 2022 (Unaudited):					
Opening net book amount	**2,235,276**	**17,116**	**20,591**	**108,167**	**2,381,150**
Additions	**–**	**2,897**	**–**	**–**	**2,897**
Amortization	**–**	**(2,826)**	**(349)**	**(2,128)**	**(5,303)**
Net book amount	**2,235,276**	**17,187**	**20,242**	**106,039**	**2,378,744**
At June 30, 2022 (Unaudited):					
Cost	**2,235,276**	**29,787**	**27,920**	**115,899**	**2,408,882**
Accumulated amortization	**–**	**(12,600)**	**(7,678)**	**(9,860)**	**(30,138)**
Net book amount	**2,235,276**	**17,187**	**20,242**	**106,039**	**2,378,744**
At December 31, 2020 (Audited):					
Cost	300,338	14,105	68,028	28,500	410,971
Accumulated amortization	–	(5,399)	(17,646)	(4,986)	(28,031)
Net book amount	300,338	8,706	50,382	23,514	382,940
Six months ended June 30, 2021 (Unaudited):					
Opening net book amount	300,338	8,706	50,382	23,514	382,940
Additions	–	1,029	–	–	1,029
Acquisition of subsidiaries	1,449,056	6,538	–	39,401	1,494,995
Amortization	–	(1,780)	(788)	(759)	(3,327)
Net book amount	1,749,394	14,493	49,594	62,156	1,875,637
At June 30, 2021 (Unaudited):					
Cost	1,749,394	21,672	68,028	67,901	1,906,995
Accumulated amortization	–	(7,179)	(18,434)	(5,745)	(31,358)
Net book amount	1,749,394	14,493	49,594	62,156	1,875,637

14 INTANGIBLE ASSETS (CONTINUED)

Amortization of the Group's intangible assets has been recognized in the interim condensed consolidated statement of comprehensive income as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of sales	**2,867**	2,150
Administrative expenses	**2,436**	1,177
	5,303	3,327

15 DEFERRED INCOME TAX

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Deferred tax assets		
— to be realised within 12 months	**8,306**	5,132
— to be realised after 12 months	**21,967**	19,108
	30,273	24,240
Deferred tax liabilities		
— to be realised within 12 months	**10,544**	10,820
— to be realised after 12 months	**118,672**	110,880
	129,216	121,700

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Tax losses	18,441	15,289
Provisions	7,214	6,877
Unrealised profits of intra-group transaction	4,618	2,074
Total deferred tax assets	30,273	24,240
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,059)	(6,450)
Net deferred tax assets	22,214	17,790

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets (Continued)

The analysis of deferred tax assets is as follows (Continued):

	Tax losses RMB'000	Employee benefits RMB'000	Provisions RMB'000	Unrealised gains RMB'000	Impairment of intangible assets RMB'000	Total RMB'000
At January 1, 2022	**15,289**	**–**	**6,877**	**2,074**	**–**	**24,240**
– Credit to profit or loss	**3,152**	**–**	**337**	**2,544**	**–**	**6,033**
At June 30, 2022 (Unaudited)	**18,441**	**–**	**7,214**	**4,618**	**–**	**30,273**
At January 1, 2021	12,189	118	1,182	854	644	14,987
– (Charged)/credit to profit or loss	(798)	2	31	356	(19)	(428)
At June 30, 2021 (Unaudited)	11,391	120	1,213	1,210	625	14,559

(ii) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at June 30, 2022 ***RMB'000*** ***(Unaudited)***	As at December 31, 2021 *RMB'000* *(Audited)*
The balance comprises temporary differences attributable to:		
Intangible assets	**23,154**	23,625
Property, plant and equipment	**106,062**	98,075
Total deferred tax liabilities	**129,216**	121,700
Set-off of deferred tax assets pursuant to set-off provisions	**(8,059)**	(6,450)
Net deferred tax liabilities	**121,157**	115,250

15 DEFERRED INCOME TAX (CONTINUED)

(ii) Deferred tax liabilities (Continued)

The analysis of deferred tax liabilities is as follows (Continued):

	Property, plant and equipment *RMB'000*	Intangible assets *RMB'000*	Total *RMB'000*
At January 1, 2022	**98,075**	**23,625**	**121,700**
— Charged/(credit) to profit or loss	**7,987**	**(471)**	**7,516**
At June 30, 2022 (Unaudited)	**106,062**	**23,154**	**129,216**
At January 1, 2021	40,420	5,877	46,297
— Acquisition of subsidiaries	25,650	9,849	35,499
— Charged/(credit) to profit or loss	11,462	(189)	11,273
At June 30, 2021 (Unaudited)	77,532	15,537	93,069

16 INVENTORIES

	As at June 30, 2022 ***RMB'000*** ***(Unaudited)***	As at December 31, 2021 *RMB'000* *(Audited)*
Pharmaceuticals	**63,305**	67,555
Medical consumables	**40,219**	32,655
Spare parts	**5,365**	6,970
	108,889	107,180

17 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Included in current assets		
Trade receivables	567,674	445,218
Other receivables		
— Deposit receivables	8,941	11,922
— Others	12,993	13,360
	21,934	25,282
Prepayments to suppliers	39,338	29,163
	628,946	499,663
Included in non-current assets		
Prepayments for property, plant and equipment	38,276	50,082
	667,222	549,745

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

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Within 90 days	423,634	323,128
91 to 180 days	86,849	67,296
181 to 365 days	37,583	38,880
1 to 2 years	14,060	13,955
2 to 3 years	5,500	1,409
3 to 4 years	48	550
	567,674	445,218

The Group's trade receivables were denominated in RMB.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 20)*	888,376	707,069
Amounts due from related parties *(Note 32)*	14,678	9,460
Trade and other receivables excluding non-financial assets *(Note 17)*	589,608	470,500
	1,492,662	1,187,029
Financial assets at fair value through profit or loss	116,536	397,400
	1,609,198	1,584,429
Financial liabilities		
Financial liabilities at amortized cost:		
Borrowings *(Note 24)*	1,289,825	1,230,851
Trade and other payables excluding non-financial liabilities *(Note 29)*	453,264	516,709
Amounts due to related parties *(Note 32)*	–	48
Lease liabilities *(Note 27)*	2,068	808
	1,745,157	1,748,416

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 *RMB'000* *(Unaudited)*	As at December 31, 2021 *RMB'000* *(Audited)*
Wealth management products	**106,528**	197,373
Structured deposit products	**–**	200,027
Deposit certificate	**10,008**	–
	116,536	397,400

As part of the Group's cash management to maximise return on idle cash, the Group invested in certain structured deposit products, wealth management products and deposit certificate issued by several PRC commercial banks.

The wealth management products and structured deposit products of banks are denominated in RMB, with expected rates of returns ranging from 1.10% to 3.70% per annum for the period ended June 30, 2022 (December 31, 2021: 0.80%–4.20%).

The deposit certificate purchased from a PRC commercial bank is denominated in RMB, earning interest at a fixed rate of 3.30% per annum with original maturity period of 36 months. The deposit certificate was transferrable but unredeemable until maturity.

20 CASH AND CASH EQUIVALENTS

	As at June 30, 2022 *RMB'000* *(Unaudited)*	As at December 31, 2021 *RMB'000* *(Audited)*
Cash at bank and in hand	**888,376**	707,069

Cash and deposits were denominated in the following currencies:

	As at June 30, 2022 *RMB'000* *(Unaudited)*	As at December 31, 2021 *RMB'000* *(Audited)*
RMB	**867,417**	699,308
USD	**20,440**	7,722
HKD	**519**	39
	888,376	707,069

21 SHARE CAPITAL AND SHARE PREMIUM

	Unaudited			
	Number of shares	Nominal value of shares *USD*	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*
Authorised :				
At January 1, 2021, June 30, 2021, January 1, 2022 and June 30, 2022	5,000,000,000	50,000	–	–
Issued and fully paid :				
At January 1, 2022	618,000,000	6,180	42	7,082,873
Repurchased ordinary shares *(a)*	(1,275,800)	(13)	– *	(35,828)
At June 30, 2022	616,724,200	6,167	42	7,047,045
At January 1, 2020, June 30, 2020, January 1, 2021 and June 30, 2021	5,000,000,000	50,000	–	–
Issued and fully paid :				
At January 1, 2021	618,000,000	6,180	42	7,123,460
Exercise of employee share scheme	–	–	–	33,494
At June 30, 2021	618,000,000	6,180	42	7,156,954

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

(a) The Company repurchased a total of 1,275,800 ordinary shares on the HKSE with an aggregate amount of HKD44,048,000 (equivalent to approximately RMB35,828,000). The ordinary shares were repurchased in January 2022 and February 2022. During the six months ended June 30, 2022, the repurchased ordinary shares had been cancelled by the Company.

22 OTHER RESERVES

	Six months ended June 30,	
	2022 ***RMB'000*** ***(Unaudited)***	2021 *RMB'000* *(Unaudited)*
At the beginning of the period	**(2,929,602)**	(2,747,909)
Exercise of employee share scheme	**–**	(33,494)
Share-based compensation expense	**19,401**	9
At the end of the period	**(2,910,201)**	(2,781,394)

23 RETAINED EARNINGS

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**303,141**	(107,826)
Profit for the period	**224,209**	197,604
Dividends	**–**	(74,081)
At the end of the period	**527,350**	15,697

24 BORROWINGS

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Bank borrowings	**1,289,825**	1,230,851
Included in non-current liabilities:		
— Long-term bank borrowings-secured *(i)*	**1,289,825**	1,230,851
Less: current portion	**(130,220)**	(34,373)
	1,159,605	1,196,478
Included in current liabilities:		
— Current portion of long-term bank borrowings	**130,220**	34,373
Total	**1,289,825**	1,230,851

(i) As at June 30, 2022, except for a bank borrowing of RMB38,500,000 (as at December 31, 2021: RMB44,000,000), the remaining long-term bank borrowings were secured by equity pledge of certain subsidiaries of the Group.

(a) The weighted average effective interest rates per annum at the balance sheet dates were set out as follows:

	As at June 30, 2022	As at December 31, 2021
Bank borrowings	**3.55%**	2.66%

24 BORROWINGS (CONTINUED)

(b) The carrying amounts of the borrowings approximated their fair values as at June 30, 2022 as the impact of discounting of borrowings with fixed interest rates was not significant.

(c) The Group's borrowings were repayable based on scheduled repayment as follows:

	As at June 30, 2022 ***RMB'000*** ***(Unaudited)***	As at December 31, 2021 *RMB'000* *(Audited)*
Within 1 year	**130,220**	34,373
Between 1 and 2 years	**964,042**	113,236
Between 2 and 5 years	**195,563**	1,083,242
	1,289,825	1,230,851

(d) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities for the six months ended June 30, 2022 and 2021.

25 SHARE-BASED COMPENSATION EXPENSE

In order to provide incentives and/or rewards to any director or employee of the Group and any medical expert who in the sole discretion of the board of directors (the "Board") has contributed or will contribute to the Group (the "Eligible Persons") for their contributions to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain talents, the shareholders of the Company adopted a share option scheme (the "Share Option Scheme") on October 15, 2021. Pursuant to the Share Option Scheme, on November 12, 2021 (the "Grant Date"), the Company granted 7,859,000 share options (the "Share Options") to 564 Eligible Persons, who are employees of the Company and its subsidiaries, to subscribe for up to an aggregate of 7,859,000 ordinary shares of the Company with a nominal value of USD0.00001 each in the share capital of the Company.

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the Grant Date and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Performance targets are set out for each batch of granted Share Options and determined annually by the Board. Details of the Share Options were disclosed in the Company announcement dated November 12, 2021.

25 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

The Group uses the binomial option pricing model in determining the estimated fair value of the Share Options granted. The model requires the input of highly subjective assumptions. For the expected volatility, the trading history and observation period of the Company's own share price movement has not been long enough to match the life of the Share Options. Therefore, the Group has made reference to the historical price volatilities of ordinary shares of several comparable Hong Kong listed companies in the same industry as the Group. For the expected exercise multiple, the Group was not able to develop an exercise pattern as reference, thus the exercise multiple is based on management's estimation, which the Group believes is representative of the future exercise pattern of the options. The risk-free interest rate for periods within the contractual life of the option is based on the interest rate of 10-year Hong Kong government debt at the grant date.

The above transaction was considered as equity-settled share-based payment to employees and others in exchange for their services. The fair value of the Share Options granted to the Eligible Persons on the Grant Date, as determined by a professional valuation firm, was HKD168,100,000. The significant inputs into the binomial valuation model were listed as below:

	As at Grant Date
Closing price of ordinary Share	HKD66.80
Exercise price	HKD66.80
Expected exercise multiple	1.70–2.50
Expected volatility	30.23%
Risk-free interest rate	1.53%
Expected dividend yield	0.80%
Contractual life	10 years

The Group recorded a total of RMB19,401,000 share-based compensation expenses in the interim condensed consolidated statement of comprehensive income for the six months ended June 30, 2022 for the aforesaid Share Options (six months ended June 30, 2021: not applicable).

26 DEFERRED REVENUE

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Government grants	33,551	34,431
To be realised within 12 months	1,634	1,445
To be realised after more than 12 months	31,917	32,986
Total	33,551	34,431

The deferred revenue mainly represented the government grants obtained to assist the construction costs of the Group's hospitals. The deferred revenue is recognized in the consolidated statement of comprehensive income within the useful lives of the assets to match the depreciation expense of the relevant assets after completion.

27 LEASE LIABILITIES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Minimum lease payments due		
— Within 1 year	1,876	426
— Between 1 and 2 years	270	426
— Between 2 and 5 years	–	–
	2,146	852
Less: future finance charges	(78)	(44)
Present value of lease liabilities	2,068	808
— Within 1 year	1,802	392
— Between 1 and 2 years	266	416
— Between 2 and 5 years	–	–
	2,068	808

28 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Provision for asset retirement obligations	7,770	8,044

29 TRADE AND OTHER PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Trade payables *(a)*	330,837	308,296
Salaries payable	169,353	187,592
Payables of considerations for acquiring equity interest of subsidiaries	62,556	158,525
Payables for construction projects	32,171	21,043
Other taxes payable	29,213	10,869
Prepayments received for radiotherapy equipment licensing	8,251	9,044
Payables of surcharge for tax overdue payments	8,247	8,247
Deposits payable	1,787	3,962
Others	25,913	24,883
	668,328	732,461

(a) 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, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
0 to 90 days	279,599	249,008
91 to 180 days	30,904	40,852
181 to 365 days	11,105	7,380
Over 1 year	9,229	11,056
	330,837	308,296

30 CONTRACT LIABILITIES

The Group has recognized the following revenue-related contract liabilities:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Hospital Business		
— Outpatient services	6,404	5,097
— Inpatient services	21,395	20,405
Other Business	5,346	6,983
	33,145	32,485

31 DIVIDENDS

The Board of the Company does not resolve to declare dividend during the six months ended June 30, 2022 (six months ended June 30, 2021: RMB74,081,000).

32 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the period:

Name of related parties	Relationship with the Group
Mr. Zhu	Controlling shareholder
Ji Hairong (季海榮)	Spouse of Mr. Zhu
Ms. Zhu	Daughter of Mr. Zhu
Shanghai Rongqiao Biotechnology Co., Ltd. (上海榮喬生物科技有限公司)	Ultimately controlled by Ji Hairong
Kaiyuan Jiehua Hospital (開遠解化醫院)	Certain employees or directors of the Group are Kaiyuan Jiehua Hospital's internal governance body members
Handan Renhe Hospital (邯鄲仁和醫院)	Certain employees or directors of the Group are Handan Renhe Hospital's internal governance body members

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

Key management includes directors and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Salaries, wages and bonus	**1,870**	1,763
Employer's contribution to retirement benefit plan	**158**	134
Allowances and benefits in kind	**159**	136
Share-based compensation expenses	**3,972**	–
	6,159	2,033

(c) Transactions with related parties

During the period, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Recurring transactions		
Other Business Revenue		
— Handan Renhe Hospital	**8,210**	4,788
— Kaiyuan Jiehua Hospital	**–**	8,954
	8,210	13,742
Depreciation on right-of-use assets and interest expenses on lease liabilities		
— Ms. Zhu	**437**	470
— Shanghai Rongqiao Biotechnology Co., Ltd.	**371**	393
	808	863

Transactions with related companies are determined based on terms mutually agreed between the relevant parties.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Amounts due from related parties		
Trade		
— Handan Renhe Hospital	**14,678**	9,460

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Amounts due to related parties		
Trade		
— Handan Renhe Hospital	**–**	48
Lease liabilities to		
— Ms. Zhu	**954**	–
— Shanghai Rongqiao Biotechnology Co., Ltd.	**964**	808
	1,918	808

As at June 30, 2022 and December 31, 2021, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

33 COMMITMENTS

The Group's capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Property, plant and equipment	**606,865**	449,662
Intangible assets	**4,004**	94
	610,869	449,756

34 CONTINGENT LIABILITIES

As at June 30, 2022, the Group did not have any material contingent liabilities.

35 SUBSEQUENT EVENT

On July 25, 2022, the Group entered into an equity transfer agreement to purchase the remaining 1% equity interest in Hezhou Guangji Hospital, a subsidiary of the Group, at a total consideration of RMB6,480,500. The transaction is completed in July 2022. After the completion, Hezhou Guangji Hospital will change from an indirect non-wholly owned subsidiary to an indirect wholly owned subsidiary of the Company.

Definitions and Glossaries

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"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 the Company
"China" or the "PRC"	the People's Republic of China, but for the purpose of this report 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 the Company
"Class III" or "Class III hospitals"	the largest and best regional hospitals designated as Class III hospitals by the National Health Commission of the PRC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"Company" or "the 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
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree

Definitions and Glossaries

"Dezhou Hygeia Hospital"	Dezhou Hygeia Hospital Co., Ltd.* (德州海吉亞醫院有限公司) (formerly known as Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司)), a limited liability company established in the PRC on December 18, 2019 and a subsidiary of the Company
"Director(s)"	director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, an Independent Third Party
"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a subsidiary of the Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
"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 the Group acquired on July 31, 2011 and a Managed Hospital
"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 the Company
"Hezhou Guangji Hospital"	Hezhou Guangji Hospital Co., Ltd.* (賀州廣濟醫院有限公司), a limited liability company incorporated under the laws of the PRC on March 4, 2020 and a subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd.* (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"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 the Group acquired on November 12, 2012, the organizer's interest of which is held by Gamma Star Tech and Xiangshang Investment as to 70% and 30%, respectively

Definitions and Glossaries

"Kaiyuan Jiehua Hospital Co., Ltd."	Kaiyuan Jiehua Hospital Co., Ltd.* (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021 and a subsidiary of the Company
"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 the Company
"Listing"	the listing of the Shares on the Main Board
"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 the 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 Growth Enterprise Market (GEM) of the Stock Exchange
"Managed Hospital"	Handan Renhe Hospital
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, Chairman and executive Director, and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"Net Proceeds"	net proceeds from the Global Offering, amounting to approximately HK$2,391.9 million
"Nomination Committee"	the nomination committee of the Board
"oncology"	the branch of medicine that deals with cancer
"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
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders

Definitions and Glossaries

"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	from January 1, 2022 to June 30, 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"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 the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Shares
"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 the Company
"Suzhou Yongding Hospital"	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit class II general hospital in Suzhou and a subsidiary of the Company
"VIE Hospitals"	collectively, Anqiu Hygeia Hospital Co., Ltd.* (安丘海吉亞醫院有限公司, a subsidiary of the Company), Anyang Hygeia Hospital Co., Ltd.* (安陽海吉亞醫院有限公司, a subsidiary of the Company), Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司, a subsidiary of the Company), Chengwu Hygeia Hospital, Chongqing Hygeia Hospital, Dezhou Hygeia Hospital, Heze Hygeia Hospital, Hezhou Guangji Hospital, Kaiyuan Jiehua Hospital Co., Ltd., Liaocheng Hygeia Hospital, Longyan Boai Hospital, Longyan Hygeia Hospital Co., Ltd.* (龍岩海吉亞醫院有限公司, a subsidiary of the Company), Shanxian Hygeia Hospital, Suzhou Canglang Hospital, and Wuxi Hygeia Hospital
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
"%"	per cent

* *For identification purpose only*

In this report, unless otherwise indicated, the terms "associate", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.