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 2020

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Ms. Cheng Huanhuan
Mr. Ren Ai
Mr. Zhang Wenshan

Non-Executive Directors

Mr. Fang Min (Chairman)
Mr. Cao Yanling
Mr. Zhao Yan

Independent Non-executive Directors

Mr. Liu Yanqun
Mr. Chen Penghui
Mr. Ye Changqing

AUDIT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Mr. Fang Min
Mr. Liu Yanqun

REMUNERATION COMMITTEE

Mr. Chen Penghu*i (Chairman)*
Mr. Liu Yanqun
Mr. Ren Ai

NOMINATION COMMITTEE

Mr. Liu Yanqun *(Chairman)*
Mr. Ren Ai
Mr. Chen Penghui

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Ms. Yeung Ching Man *(Member of the Hong Kong Institute of Certified Public Accountants)*

AUTHORIZED REPRESENTATIVES

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Ms. Yeung Ching Man

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PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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STOCK CODE

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COMPANY'S WEBSITE

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Financial Highlights

	Unaudited Six months ended June 30, 2020 (RMB'000)	Unaudited Six months ended June 30, 2019 (RMB'000)	Percentage of change
Operating results			
Revenue	**632,260**	514,851	22.8%
Gross profit	**216,290**	155,158	39.4%
Operating profit	**81,065**	78,945	2.7%
Profit before income tax	**33,165**	32,986	0.5%
Net profit	**2,356**	12,699	-81.4%
Adjusted net profit (1)	**133,956**	80,989	65.4%
Basic earnings per share	**0.01**	0.05	-80.0%
Profitability			
Gross profit margin	**34.2%**	30.1%	
Net profit margin	**0.4%**	2.5%	
Adjusted net profit margin (2)	**21.2%**	15.7%	

Notes:

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

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

	Unaudited As of June 30, 2020 (RMB'000)	Audited As of December 31, 2019 (RMB'000)	Percentage of change
Financial position			
Total current assets	**2,572,514**	668,530	284.8%
Total non-current assets	**1,649,321**	1,544,659	6.8%
Total current liabilities	**269,484**	1,714,181	-84.3%
Total non-current liabilities	**72,279**	701,614	-89.7%
Total equity/(deficits)	**3,880,072**	(202,606)	2,015.1%

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 10 oncology-focused hospitals through our direct equity ownership in 7 private for-profit hospitals and management rights in 3 private not-for-profit hospitals, with these in-network hospitals spanning across seven cities in six provinces in China. In addition, we are currently providing services to 15 hospital partners in connection with their radiotherapy centers, which were located in nine 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 and profitable growth and future expansion into new geographic markets.

We generate revenue primarily from three parts: (i) operating private for-profit hospitals we own and providing a wide range of oncology healthcare services and other healthcare services; (ii) provision of radiotherapy center consulting services, licensing of our proprietary SRT equipment and provision of maintenance and technical support services in relation to our proprietary SRT equipment; and (iii) managing and operating, and receiving management fees from, private not-for-profit hospitals in which we hold organizer's interest (舉辦人權益).

One of our core strategies is to provide 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 United States. There is a huge demand for oncology treatment in non-first-tier cities in China, but high-quality oncology treatment resources are concentrated in first-tier cities. We believe that with our leading position in the market, we can seize the significant opportunities in the underserved market.

The second core strategy is to persist in developing the oncology-focused business, and to carry out multi-disciplinary healthcare services around the oncology-focused business, including providing radiotherapy and other oncology healthcare services to patients, thus gradually covering more comprehensive phases of diagnosis, treatment and rehabilitation; and gradually introducing emerging technologies and advanced equipment to provide patients with more comprehensive oncology treatment options.

Another core strategy for consolidating our market leadership position is to foster a team of high-level and multi-disciplinary medical professionals. We continuously expand our team through internal training and external recruitment. In addition, we provide our patients with access to a second opinion on their diagnosis and treatment plans through external experts practising in multiple sites and cooperation with overseas leading medical institutions, thus enabling us to treat cancer and other complex diseases with multiple approaches. With our proprietary SRT equipment, we operate a vertically integrated radiotherapy service model in delivering radiotherapy treatment to oncology patients, which has enabled us to capture synergies across the entire value chain, thus providing us with unique advantages in operating efficiency and profitability.

Management Discussion and Analysis

BUSINESS REVIEW

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

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

Hospital Business

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

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

The following table sets forth a summary of the Group's in-network hospitals as of June 30, 2020:

Hospitals	Location	GFA (m²)	Nature	Established/ acquired	Registered beds
Self-owned					
1. Longyan Boai Hospital	Longyan, Fujian	24,048	Private for-profit Class IIB general hospital	Acquired	390
2. Suzhou Canglang Hospital	Suzhou, Jiangsu	14,975	Private for-profit Class IIB general hospital	Acquired	294
3. Shanxian Hygeia Hospital	Heze, Shandong	72,024	Private for-profit Class II general hospital	Established	400
4. Anqiu Hygeia Hospital	Anqiu, Shandong	6,898	Private for-profit Class I general hospital	Acquired	99
5. Chengwu Hygeia Hospital	Heze, Shandong	7,150	Private for-profit Class II general hospital	Acquired	120
6. Chongqing Hygeia Hospital	Shapingba District, Chongqing	28,220	Private for-profit Class II oncology specialty hospital	Established	200
7. Heze Hygeia Hospital	Heze, Shandong	52,172	Private for-profit Class II general hospital	Established	260
Managed					
8. Handan Renhe Hospital	Handan, Hebei	11,564	Private not-for-profit general hospital	Acquired	90
9. Kaiyuan Jiehua Hospital	Kaiyuan, Yunnan	15,249	Private not-for-profit Class II general hospital	Acquired	186
10. Handan Zhaotian Hospital	Handan, Hebei	7,125	Private not-for-profit orthopedics specialty hospital	Acquired	N/A [1]

Notes:

(1) During the Reporting Period, Handan Zhaotian Hospital suspended its operation due to renovation and reconstruction.

Third-party Radiotherapy Business

The Group has adhered to the strategy of exploring cooperation opportunities for providing Radiotherapy Center Services in selected new markets and gradually expanding the Group's radiotherapy center network. For the six months ended June 30, 2020, the Group's revenue from third-party radiotherapy business was RMB72.9 million, representing an increase of 11.8% from the same period last year.

The Group provides Radiotherapy Center Services to 15 hospital partners (including hospitals in which the Group holds organizer's interest) in ten provinces in China. The following table sets forth the Group's radiotherapy center network as of June 30, 2020:

Radiotherapy centers	Location	Term of cooperation with the Group
Owned by the Group's Managed Hospitals		
1. Renhe Radiotherapy Center	Handan, Hebei	June 2012 – June 2022
2. Kaiyuan Radiotherapy Center	Kaiyuan, Yunnan	December 2014 – December 2024
3. Zhaotian Radiotherapy Center	Handan, Hebei	February 2017 – November 2018 (1)
Owned by Independent Third Parties		
4. Xuanwei Radiotherapy Center	Xuanwei, Yunnan	January 2010 – January 2025
5. Hunan Radiotherapy Center	Changsha, Hunan	February 2017 – January 2020 (2)
6. Nanyang Radiotherapy Center	Nanyang, Henan	July 2014 – November 2020
7. Zhangjiagang Radiotherapy Center	Zhangjiagang, Jiangsu	September 2016 – September 2028
8. Wuzhong Radiotherapy Center	Wuzhong, Ningxia	October 2016 – October 2028
9. Xiangyang Radiotherapy Center	Xiangyang, Hubei	November 2016 – November 2031
10. Xianyang Radiotherapy Center	Xianyang, Shaanxi	November 2016 – November 2026
11. Ezhou Radiotherapy Center	Ezhou, Hubei	January 2015 – January 2030
12. Zhucheng Radiotherapy Center	Zhucheng, Shandong	July 2010 – July 2022
13. Qufu Radiotherapy Center	Qufu, Shandong	August 2018 – August 2030
14. Zhuzhou Radiotherapy Center	Zhuzhou, Hunan	July 2014 – November 2021
15. Shijiazhuang Radiotherapy Center	Shijiazhuang, Hebei	April 2015 – March 2023

Notes:

(1) Handan Zhaotian Hospital is currently under renovation. The term of cooperation is 10 years in total, with the remaining term to be calculated from the date when Handan Zhaotian Hospital resumes its operations.

(2) As of reporting date, Hunan Radiotherapy Center terminated the cooperation due to the expiry of the contract.

In addition to the 15 radiotherapy centers set out in the table above, as of June 30, 2020, the Group has signed radiotherapy center cooperation agreements with 26 third-party hospital partners, located in 13 provinces in China. After the opening of these newly signed radiotherapy centers, the Group's radiotherapy center network will increase to 40 (excluding the existing centers whose contracts will expire). The Group believes that it will further increase the Group's revenue from third-party radiotherapy business.

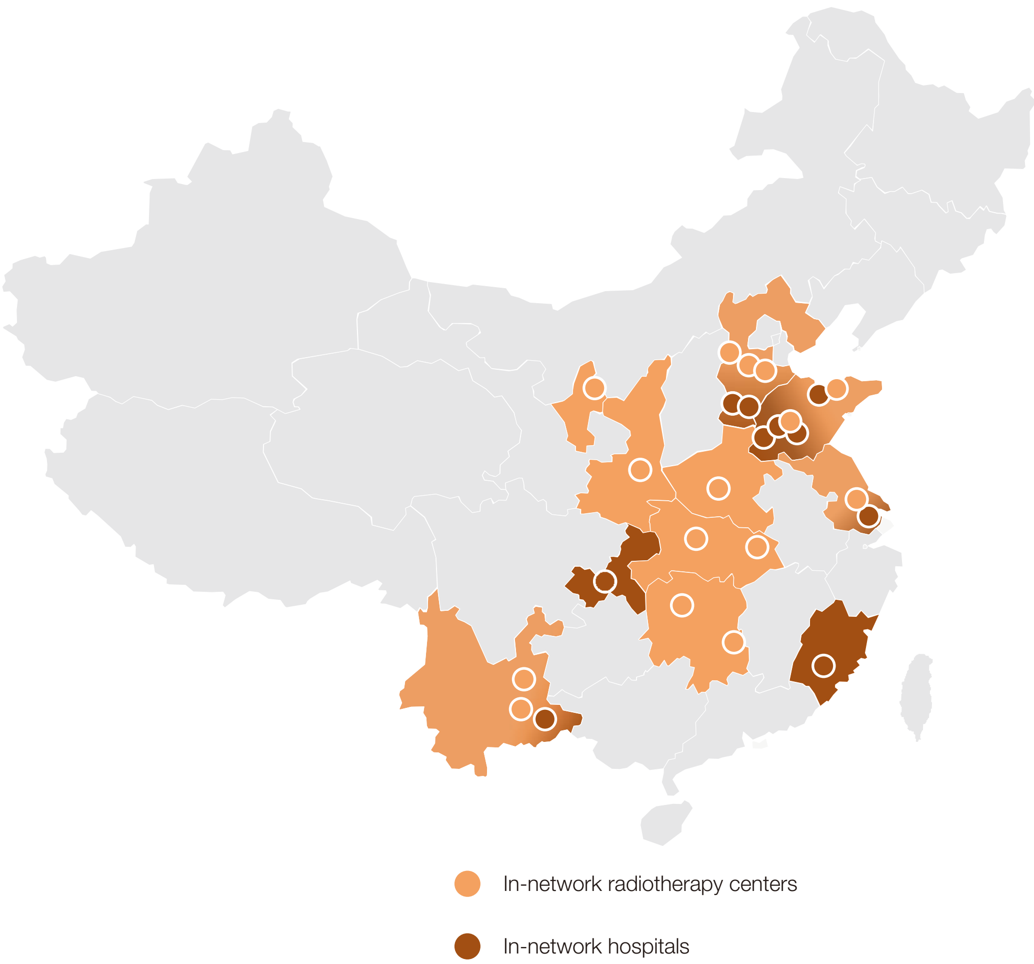
Hospital Management Business

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

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

Network of Hospitals and Radiotherapy Centers of the Group

The Group (i) owns and operates 7 private for-profit hospitals; (ii) manages 3 private not-for-profit hospitals; and (iii) provides services to 15 hospital partners in connection with their radiotherapy centers. Set out below is an illustration of the locations of the Group's existing in-network hospitals and radiotherapy centers:



Oncology-related Business

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

Business Development

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

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

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

In the first half of 2020, 3 new radiotherapy centers of the Group have entered the preparation stage (i.e. installation and commissioning), and are expected to officially open in the third quarter. In the second half of the year, the Group will continue to enrich the radiotherapy center network and further expand the scale of radiotherapy business.

Team of Medical Professionals

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

Honors

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

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

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

Fighting against COVID-19

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

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

BUSINESS PROSPECTS

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

Looking into the future, the Group expects to:

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

Hospital Business

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

Third-party Radiotherapy Business

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

Hospital Management Business

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

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

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

Selling Expenses

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

Administrative Expenses

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

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

Other Income

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

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

Other Losses – Net

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

Finance Income and Costs

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

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

Income Tax Expense

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

Net Profit and Adjusted Net Profit

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

Liquidity and Capital Resources

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

Operating Activities

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

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

Investing Activities

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

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

Financing Activities

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

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

Significant Investments, Material Acquisitions and Disposals

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

Capital Expenditures

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

Financial Position

Total Assets and Total Liabilities

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

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

Inventories

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

Trade, Other Receivables and Prepayments

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

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

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

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

Intangible Assets

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

Trade and Other Payables

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

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

Pledge of Assets

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

Contract Liabilities

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

Capital Commitments

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

Contingent Liabilities

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

Financial Instruments

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

During the Reporting Period, we did not have any foreign currency net investments which were hedged by currency borrowings, and we did not purchase any foreign exchange, interest rate derivative products or other hedging instruments.

Future Plan for Material Investments and Capital Assets

As of June 30, 2020, the Group did not have any plans for material investments and capital assets.

Borrowings and gearing ratio

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

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

Foreign Exchange Risk

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

Interest Rate Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

INTERIM DIVIDENDS

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

The Group believes it has maintained good relationships with its employees. Employees of our in-network hospitals are not represented by a labor union. As of the date of this 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 mainly comprise base salary and performance-related bonus. The Group sets performance targets for its employees primarily based on their position and department and periodically reviews 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 CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee has reviewed the unaudited condensed interim results and interim report of the Group for the six months ended June 30, 2020, including the accounting principles and policies adopted by the Group. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2020 in accordance with 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 Global Offering at HK$18.50 which were listed on the Main Board of the Stock Exchange on June 29, 2020 and issued 18,000,000 Shares at HK$18.50 upon full exercise of the over-allotment option.

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

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

Note:

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

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

CHANGES TO DIRECTORS' INFORMATION

As of June 30, 2020, there were no 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, 2020, 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 the Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares	Approximate percentage of interest in the total share capital of the Company
Mr. Ren Ai[(1)(2)]	Interest in a controlled corporation/ Interest of spouse/ Beneficial interest	280,082,215 (L)	46.68%
Ms. Cheng Huanhuan	Beneficial interest	49,621 (L)	0.01%
Mr. Zhang Wenshan	Beneficial interest	62,027 (L)	0.01%

Notes:

(1) 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.

(2) 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.

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

Interests in the associated corporation

Name of Director/ Chief Executive	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. Ren Ai	Interest of spouse	Hygeia Hospital Management [1]	100% [2][8]
		VIE Hospitals (other than Shanxian Hygeia Hospital) [3]	30% [4][8]
		Shanxian Hygeia Hospital [3]	11.56% [5][8]
		Managed Hospitals [6]	30% [7][8]

Notes:

(1) Hygeia Hospital Management is a subsidiary of the Company by virtue of the contractual arrangements and therefore, is an associated corporation of our 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 Hospitals (other than Shanxian Hygeia Hospital), and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of the VIE Hospitals (other than Shanxian Hygeia Hospital) held by Hygeia Hospital Management.

(5) Hygeia Hospital Management holds 11.56% equity interest in Shanxian Hygeia Hospital, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of Shanxian Hygeia Hospital held by Hygeia Hospital Management.

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

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

(8) 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.

Save as disclosed above, as of June 30, 2020, 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

At no time during the period from the Listing Date to June 30, 2020 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, 2020, 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
Mr. Zhu(1)(3)	Interest in a controlled corporation/ Interest of concert parties	280,082,215 (L)	46.68%
Century River Investment (1)(3)	Interest in a controlled corporation/ Interest of concert parties	280,082,215 (L)	46.68%
Century River (1)(3)	Beneficial interest/Interest of concert parties	280,082,215 (L)	46.68%
Ms. Zhu (2)(3)(4)	Interest in a controlled corporation/ Interest of concert parties/Interest of spouse	280,082,215 (L)	46.68%
Red Palm Investment (2)(3)	Interest in a controlled corporation/ Interest of concert parties	280,082,215 (L)	46.68%
Amber Tree (2)(3)	Beneficial interest/Interest of concert parties	280,082,215 (L)	46.68%
Red Palm (2)(3)	Beneficial interest/Interest of concert parties	280,082,215 (L)	46.68%
Fountain Grass (5)	Beneficial interest	82,756,038 (L)	13.79%
Harmony Healthcare (6)	Beneficial interest	37,216,679 (L)	6.20%
Morgan Stanley(7)	Interest in a controlled corporation	45,030,997 (L)	7.51%
		18,000,000 (S)	3.00%

Corporate Governance and Other Information

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) Fountain Grass Investment Ltd is held by Warburg Pincus Private Equity XI, L.P. as to approximately 60.49%. The general partner of Warburg Pincus Private Equity XI, L.P. is Warburg Pincus XI, L.P., the general partner of which is WP Global LLC. The managing member of WP Global LLC is Warburg Pincus Partners II, L.P., the general partner of which is Warburg Pincus Partners GP LLC. Warburg Pincus & Co is the managing member of Warburg Pincus Partners GP LLC.

(6) Harmony Healthcare Investment Holdings Limited is wholly-owned by Guokai Boyu No. 2 (Shanghai) Equity Investment Partnership (Limited Partnership) (國開博裕二期(上海)股權投資合夥企業(有限合夥)), the general partner of which is Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) (博裕廣渠陶然(上海)投資管理合夥企業(有限合夥)). The general partner of Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) which is wholly-owned by Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), a company owned as to 50% by Xia Meiying (夏美英) and 50% by Huang Ailian (黃愛蓮).

(7) Morgan Stanley & Co. International plc is wholly owned by Morgan Stanley Investments (UK); Morgan Stanley Investments (UK) is wholly owned by Morgan Stanley International Limited; Morgan Stanley International Limited is wholly owned by Morgan Stanley International Holdings Inc.; Morgan Stanley International Holdings Inc. is wholly owned by Morgan Stanley. Morgan Stanley & Co. LLC is wholly owned by Morgan Stanley Domestic Holdings, Inc.; Morgan Stanley Domestic Holdings, Inc. is wholly owned by Morgan Stanley Capital Management, LLC; Morgan Stanley Capital Management, LLC is wholly owned by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in all shares directly held by Morgan Stanley & Co. International plc and Morgan Stanley & Co. LLC.

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

Save as disclosed above, as of June 30, 2020, 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 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.

As of the Listing Date, 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 of the Company.

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 of the Company.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

Report on Review of Interim Financial Information

To the Board of Directors of Hygeia Healthcare Holdings Co., Limited
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 78, which comprises the interim condensed consolidated statements of financial position of Hygeia Healthcare Holdings Co., Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 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 a summary of significant accounting policies and other explanatory notes. 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".

OTHER MATTERS

The interim financial information includes comparative information as required by International Accounting Standard 34 "Interim Financial Reporting". The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended June 30, 2019 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
August 25, 2020

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited Six months ended June 30, 2020 RMB'000	2019 RMB'000
Revenue	5	**632,260**	514,851
Cost of revenue	5, 8	**(415,970)**	(359,693)
Gross profit		**216,290**	155,158
Selling expenses	8	**(5,878)**	(8,025)
Administrative expenses	8	**(78,628)**	(62,013)
Other income	6	**8,708**	5,008
Other losses – net	7	**(59,427)**	(11,183)
– *Other losses – effect of deferral of the redemption date of redeemable shares*	7	**(57,852)***	**–**
– *Other losses – others*	7	**(1,575)**	**(11,183)**
Operating profit		**81,065**	78,945
Finance income	10	**197**	128
Finance costs	10	**(48,097)**	(46,087)
– *Finance costs – interest expenses of redeemable shares*	10	**(48,029)***	**(43,736)***
– *Finance costs – others*	10	**(68)**	**(2,351)**
Finance costs – net		**(47,900)**	(45,959)
Profit before income tax		**33,165**	32,986
Income tax expense	11	**(30,809)**	(20,287)
Profit and total comprehensive income for the period		**2,356**	12,699
Profit and total comprehensive income attributable to			
– Owners of the Company		**2,356**	12,699
– Non-controlling interests		**–**	–
Earnings per share			
– Basic earnings per share (in RMB)	12	**0.01**	0.05
– Diluted earnings per share (in RMB)	12	**0.01**	0.04

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

* The profit for the period ended June 30, 2020 including other losses – effect of deferral of the redemption date of redeemable shares, amounting to approximately RMB57,852,000 (note 24), and interest expenses of redeemable shares, amounting to approximately RMB48,029,000 (note 10). After excluding the abovementioned losses and expense, the adjusted net profit for the period ended June 30, 2020 would be RMB108,237,000.

The profit for the period ended June 30, 2019 including interest expenses of redeemable shares, amounting to approximately RMB43,736,000 (note 10). After excluding the abovementioned expense, the adjusted net profit for the period ended June 30, 2019 would be RMB56,435,000.

Interim Condensed Consolidated Statements of Financial Position

	Notes	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,225,351**	1,122,461
Intangible assets	14	**383,906**	385,706
Prepayments for non-current assets	18	**25,341**	18,420
Deferred income tax assets	15	**14,723**	18,072
Total non-current assets		**1,649,321**	1,544,659
Current assets			
Inventories	16	**44,097**	47,016
Trade, other receivables and prepayments	18	**285,073**	224,936
Amounts due from related parties	29	**6,531**	3,169
Cash and cash equivalents	19	**2,236,813**	393,409
Total current assets		**2,572,514**	668,530
Total assets		**4,221,835**	2,213,189
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	20	**6,836,911**	2,731,464
Shares held for employee share scheme		**–***	–*
Other reserves	21	**(2,772,461)**	(2,680,702)
Accumulated losses		**(251,012)**	(253,368)
		3,813,438	(202,606)
Non-controlling interests		**66,634**	–
Total equity/(deficits)		**3,880,072**	(202,606)

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

	Notes	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	**36,527**	32,668
Deferred revenue	22	**27,154**	28,314
Lease liabilities	23	**663**	1,307
Redeemable shares	24	**–**	631,674
Other non-current liabilities	25	**7,935**	7,651
Total non-current liabilities		**72,279**	701,614
Current liabilities			
Trade and other payables	26	**236,730**	262,474
Amounts due to related parties	29	**178**	16,678
Contract liabilities	27	**6,465**	9,882
Current income tax liabilities		**24,815**	25,454
Lease liabilities	23	**1,296**	1,297
Redeemable shares	24	**–**	1,398,396
Total current liabilities		**269,484**	1,714,181
Total liabilities		**341,763**	2,415,795
Total equity and liabilities		**4,221,835**	2,213,189

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

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited						
		Attributable to owners of the Company						
		Share capital and premium RMB'000 (Note 20)	Shares held for employee share scheme RMB'000	Other reserves RMB'000 (Note 21)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficits)/ equity RMB'000
Balance at January 1, 2020		2,731,464	–*	(2,680,702)	(253,368)	(202,606)	–	(202,606)
Comprehensive income								
Profit for the period		–	–	–	2,356	2,356	–	2,356
Total comprehensive income for the period		–	–	–	2,356	2,356	–	2,356
Transactions with owners in their capacity as owners								
Share-based compensation		–	–*	4,063	–	4,063	–	4,063
Conversion from redeemable shares into ordinary shares pursuant to Initial Public Offering ("IPO")		2,107,892	–	–	–	2,107,892	–	2,107,892
Exercise of employee share scheme		62,563	–	(29,188)	–	33,375	–	33,375
Shares issued pursuant to the IPO		2,024,255	–	–	–	2,024,255	–	2,024,255
Share issuance cost		(89,263)	–	–	–	(89,263)	–	(89,263)
Non-controlling interests arising on exercise of employee share scheme		–	–	(66,634)	–	(66,634)	66,634	–
Total transactions with owners in their capacity as owners		4,105,447	–*	(91,759)	–	4,013,688	66,634	4,080,322
Balance at June 30, 2020		6,836,911	–*	(2,772,461)	(251,012)	3,813,438	66,634	3,880,072

* 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 Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital and premium *RMB'000* *(Note 20)*	Shares held for employee share scheme *RMB'000*	Other reserves *RMB'000* *(Note 21)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total deficits *RMB'000*
Balance at January 1, 2019		–	–	84,494	(276,360)	(191,866)	3,622	(188,244)
Comprehensive income								
Profit for the period		–	–	–	12,699	12,699	–	12,699
Total comprehensive income for the period		–	–	–	12,699	12,699	–	12,699
Transactions with owners in their capacity as owners								
Prepaid exercise price of restricted share scheme of a subsidiary		–	–*	9,100	–	9,100	–	9,100
Capital injections from shareholders of a subsidiary		–	–	173	–	173	–	173
Share-based compensation		–	–	7,958	–	7,958	–	7,958
Effect of Reorganization of the Group		2,762,050	–	(2,762,050)	–	–	–	–
Additional shares of the Company issued to Mr. Zhu due to 5% anti-dilution rights	*7(a)*	11,355	–	–	–	11,355	–	11,355
Issuance of redeemable shares of the Company	*24*	–	–	(37,601)	–	(37,601)	–	(37,601)
Acquired additional shares of a subsidiary		–	–	(2,378)	–	(2,378)	(3,622)	(6,000)
Total transactions with owners in their capacity as owners		2,773,405	–*	(2,784,798)	–	(11,393)	(3,622)	(15,015)
Balance at June 30, 2019		2,773,405	–*	(2,700,304)	(263,661)	(190,560)	–	(190,560)

* 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 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		**150,836**	129,542
Interest received		**197**	128
Income tax paid		**(24,240)**	(20,432)
Net cash generated from operating activities		**126,793**	109,238
Cash flows from investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed		**–**	24,800
Purchases of property, plant and equipment		**(156,318)**	(72,748)
Proceeds from disposal of property, plant and equipment and intangible assets		**1,696**	1,208
Purchases of intangible assets		**(687)**	(1,940)
Payments for acquisition of additional shares of a subsidiary		**–**	(6,000)
Payments for acquisition of subsidiaries		**–**	(500)
Increase in term deposits with initial terms of over three months		**–**	(202,140)
Payments for purchases of financial assets at fair value through profit or loss	3	**(1,851,850)**	(787,480)
Proceeds from disposal of financial assets at fair value through profit or loss	3	**1,855,238**	789,329
Net cash used in investing activities		**(151,921)**	(255,471)
Cash flows from financing activities			
Prepaid exercise price of restricted shares		**–**	9,100
Capital injections from the Company's shareholders		**–**	173
Payment for listing expenses		**(72,901)**	–
Issuance of redeemable shares		**–**	255,471
Borrowing interest paid	10	**–**	(2,248)
Repayments of bank borrowings		**–**	(56,000)
Proceeds from bank borrowings		**–**	377,493
Payments of lease liabilities		**(713)**	(712)
Advances and repayments from related parties		**–**	42,013
Repayment and advance to related parties		**(11,904)**	(154,523)
Dividends paid to the Company's shareholders		**(70,000)**	–
Proceed from insurance of new ordinary shares pursuant to the IPO		**2,024,255**	–
Net cash generated from financing activities		**1,868,737**	470,767
Net increase in cash and cash equivalents		**1,843,609**	324,534
Effect on exchange rate difference		**(205)**	4,314
Cash and cash equivalents at beginning of the period		**393,409**	190,552
Cash and cash equivalents at end of the period	19	**2,236,813**	519,400

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 by undertaking a group reorganization (the "VIE Hospitals")

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

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

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

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

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

The Company completed its IPO and listed its shares on Main Board of the Stock Exchange of Hong Kong Limited ("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. Accordingly, this interim financial information should be read in conjunction with the Appendix I – Accountant's Report as set out in the prospectus of the Company dated June 16, 2020, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ("IASB"). The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended June 30, 2019 has not been audited or reviewed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of interim financial information in conformity with International Accounting Standard 34 "Interim Financial Reporting" requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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, 2020 but do not have a material impact on the Group

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New standards and interpretations not yet adopted

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

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

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

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 and fair value interest rate 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 senior management of the Group.

The interim financial information does not include all financial risk management information and disclosures required in the interim financial information, and should be read in conjunction with Appendix I – Accountant's Report as set out in the prospectus of the Company dated June 16, 2020.

There have been no significant changes in the risk management policies since December 31, 2019.

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 has no significant foreign currency risk as all of the operations of the group entities are dominated in RMB which is also the functional currency of the relevant group entities.

(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.

As at December 31, 2019 and June 30, 2020, the Group has no financial assets or liability which were bearing at floating rates.

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 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, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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 material revenue. However, the Group has concentrated debtor's portfolio, as majority 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, provided 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 and trustee hospitals, the Group has grant 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, 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 directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

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 the risk of default 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
- 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 those 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.

(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 expected credit losses rates for the third party trade receivables are determined according to the following provision matrix based on invoice date:

	As at June 30, 2020	As at December 31, 2019
Within 90 days	0%	0%
91 to 180 days	0%	0%
181 to 360 days	0%	0%
1 to 2 years	0%	0%
Over 2 years	NA	NA

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Trade receivables (Continued)

Since the actual loss rates for each type of the trade receivables and the adjustments for forward looking macroeconomic data did not have significant change during six months ended June 30, 2019 and 2020, the directors of the Company consider that the change in the expected credit loss rate is insignificant.

(ii) Other receivables and amounts due from related parties

Other receivables at amortized cost mainly include deposits receivables, advance to employees and loan to third parties, and receivables of disposal of interests in subsidiaries.

As at December 31, 2019 and June 30, 2020, the internal credit rating of other receivables and amounts due from related parties were performing. The Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables and amounts due from related parties and have determined the credit risk is immaterial.

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the Listing Business, 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*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying Amount *RMB'000*
As at June 30, 2020 (Unaudited)						
Trade and other payables	**167,664**	**–**	**–**	**–**	**167,664**	**167,664**
Lease liabilities	**1,376**	**675**	**–**	**–**	**2,051**	**1,959**
Amounts due to related parties	**178**	**–**	**–**	**–**	**178**	**178**
Total	**169,218**	**675**	**–**	**–**	**169,893**	**169,801**
As at December 31, 2019 (Audited)						
Trade and other payables	204,047	–	–	–	204,047	204,047
Lease liabilities	1,414	1,350	–	–	2,764	2,604
Amounts due to related parties	16,678	–	–	–	16,678	16,678
Redeemable shares	1,441,658	–	738,924	–	2,180,582	2,030,070
Total	1,663,797	1,350	738,924	–	2,404,071	2,253,399

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 capital. Net debt is calculated as lease liabilities less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the condensed consolidated statements of financial position and redeemable shares on an as-if-not-redeemable basis) plus net debts. As at June 30, 2020 and December 31, 2019, the gearing ratio of the Group were as follows:

	As at June 30, 2020 ***RMB'000*** **(Unaudited)**	As at December 31, 2019 *RMB'000* (Audited)
Net debt	**(2,234,854)**	(378,901)
Total capital	**1,645,218**	1,448,563
Gearing ratio	**Not applicable**	Not applicable

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 December 31, 2019 and June 30, 2020, the Group had no level 1, 2 and 3 financial instruments.

There were no changes in valuation techniques during the year ended December 31, 2019 and six months ended June 30, 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2019 and six months ended June 30, 2020.

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.

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

	For the six months ended June 30, 2020 ***RMB'000*** **(Unaudited)**	For the twelve months ended December 31, 2019 *RMB'000* (Audited)
Balance at beginning of the period/year	**–**	–
Additions	**1,851,850**	2,689,120
Changes in fair value	**3,388**	5,217
Disposals	**(1,855,238)**	(2,694,337)
Balance at end of the period/year	**–**	–

The unobservable inputs of wealth management products 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 wealth management products with floating rate range 2.70% to 3.10%.

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) Estimated impairment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment. The recoverable amounts of CGUs 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 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 indicator shown that goodwill has suffered any impairment during the six months ended June 30, 2019 and 2020.

(b) Assessment of controls over Not-for-profit hospitals founded by the Group

Handan Zhaotian Orthopedic Hospital, Handan Renhe Hospital and Kaiyuan Jiehua Hospital, three not-for-profit hospitals, were founded by the Group. Despite the fact that the Group founded the hospitals, the Group is not entitled to the dividend of the three hospitals in accordance with relevant PRC rules and regulation. The Group has entered into agreements with the three hospitals in which the Group obtains contractual rights to provide management services of the three not-for-profit hospitals for certain periods and is entitled to receive performance-based management fees for the six months ended June 30, 2019 and 2020.

The Group has exercised significant judgements in determining whether the Group has control over the three hospitals. In exercising such judgement, the Group considers the purpose and design of the hospitals, what the relevant activities are and how decisions about those activities are made, whether the rights of the Group give the current ability to direct the relevant activities, whether 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 three hospitals, and whether the Group has the ability to use its power over the three hospitals to affect the amount of the Group's returns.

After 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 three not-for-profit hospitals, so the Group does not control and thus does not consolidate the three not-for-profit hospitals. Instead, the Group receives service income from the three hospitals through management contracts.

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.

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

– Hospital Business

– Radiotherapy Business

– Hospital Management Business

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Unaudited Six months ended June 30, 2019				
	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Hospital Management Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	446,658	65,212	2,981	–	514,851
Cost of revenue	(335,315)	(23,391)	(987)	–	(359,693)
Gross profit	111,343	41,821	1,994	–	155,158
Selling expenses	(8,025)	–	–	–	(8,025)
Administrative expenses	(36,702)	(4,752)	–	(20,559)	(62,013)
Other income	502	–	–	4,506	5,008
Other losses – net	(2,990)	(1,096)	–	(7,097)	(11,183)
Segment profit/(loss)	64,128	35,973	1,994	(23,150)	78,945
Finance income					128
Finance costs					(46,087)
Finance costs – net					(45,959)
Profit before income tax					32,986
Other segment information					
Depreciation of property, plant, and equipment	26,201	4,342	–	796	31,339
Amortization of intangible assets	1,090	–	788	20	1,898

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Hospital Management Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at June 30, 2020 (Unaudited)					
Assets					
Segment Assets	**1,503,451**	**335,050**	**51,170**	**2,017,103**	**3,906,774**
Goodwill	**300,338**	**–**	**–**	**–**	**300,338**
Deferred income tax assets					**14,723**
Total Assets					**4,221,835**
Liabilities					
Segment Liabilities	**228,559**	**38,533**	**–**	**38,144**	**305,236**
Deferred income tax liabilities					**36,527**
Total Liabilities					**341,763**
Other segment information					
Additions of non-current assets except for goodwill and deferred income tax assets	**138,949**	**9,591**	**–**	**55**	**148,595**
As at December 31, 2019 (Audited)					
Assets					
Segment Assets	1,391,537	260,410	55,127	187,705	1,894,779
Goodwill	300,338	–	–	–	300,338
Deferred income tax assets					18,072
Total Assets					2,213,189
Liabilities					
Segment Liabilities	220,083	61,626	4,737	2,096,681	2,383,127
Deferred income tax liabilities					32,668
Total Liabilities					2,415,795
Other segment information					
Additions of non-current assets except for goodwill and deferred income tax assets	129,103	7,834	–	6,249	143,186

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business line and nature:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hospital Business		
– Outpatient healthcare services	**159,584**	119,746
– Inpatient healthcare services	**396,268**	326,912
Radiotherapy Business		
– Radiotherapy center consulting services	**23,583**	23,358
– Radiotherapy equipment licensing	**26,600**	25,022
– Radiotherapy equipment maintenance services	**22,714**	16,832
Hospital Management Business		
– Hospital management services	**3,511**	2,981
Total revenue	**632,260**	514,851
Including revenue from contracts with customers	**605,660**	489,829

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
– Inpatient healthcare services	**27,071**	21,786
– Radiotherapy center consulting service	**23,583**	23,358
– Radiotherapy equipment maintenance service	**13,487**	12,839
– Hospital management services	**3,511**	2,981
Over time	**67,652**	60,964
– Inpatient healthcare services	**369,197**	305,126
– Outpatient healthcare services	**159,584**	119,746
– Radiotherapy equipment maintenance service	**9,227**	3,993
At a point in time	**538,008**	428,865
Revenue from contracts with customers	**605,660**	489,829

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(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 period.

6 OTHER INCOME

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

(a) The government grants include those grants from the local government in recognition of the contribution of Hygeia Healthcare 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 22).

7 OTHER LOSSES – NET

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Effect of deferral of the redemption date of redeemable shares *(Note 24)*	**(57,852)**	–
Losses on disposal of property, plant and equipment	**(1,094)**	(2,263)
Surcharge for tax overdue payment	**–**	(1,616)
Net foreign exchange (losses)/gains	**(205)**	4,314
Fair value loss for anti-dilution rights given to Mr. Zhu (a)	**–**	(11,355)
Others	**(276)**	(263)
	(59,427)	(11,183)

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

8 EXPENSES BY NATURE

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefits expenses *(Note 9)*	**192,053**	170,470
Cost of pharmaceutical, consumables and other inventories	**152,373**	125,899
Depreciation and amortization *(Notes 13 and 14)*	**37,320**	33,237
Radiotherapy service fees	**32,597**	29,369
Expenses in relation to the listing	**22,856**	5,241
Consultancy and professional service fees	**23,317**	26,325
Utilities, cleaning and afforestation expenses	**11,212**	12,500
Travelling, entertainment, vehicle and office expenses	**10,180**	11,525
Repair and maintenance	**2,777**	2,198
Taxation expenses	**2,665**	2,070
Marketing and promotion	**1,829**	2,105
Rental expenses	**1,337**	849
Auditor's remuneration	**900**	35
– Audit	**900**	35
– Non-audit	**–**	–
Other expenses	**9,060**	7,908
	500,476	429,731

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**172,660**	144,135
Employer's contribution to retirement benefit plan	**5,948**	9,282
Allowances and benefits in kind	**9,382**	9,095
Share-based compensation expenses	**4,063**	7,958
	192,053	170,470

10 FINANCE COSTS – NET

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

11 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	**23,601**	22,438
Deferred income tax *(Note 15)*	**7,208**	(2,151)
	30,809	20,287

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

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

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

Withholding tax on undistributed profits

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

11 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of income tax expense

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**33,165**	32,986
Tax calculated at applicable statutory tax rate of 25%	**8,291**	8,247
Effect of different tax rates (i)	**21,739**	(1,550)
Items not deductible for tax purposes (ii)	**1,280**	13,950
Tax preference	**(501)**	(360)
	30,809	20,287

(i) Effect of different tax rates during the six months ended June 30, 2020 was mainly due to the effect of deferral of the redemption date of redeemable shares (Note 7) and the relevant interest expenses on redeemable shares (Note 10) which were recorded in the Company while the Company's tax rate is zero.

(ii) Items not deductible for tax purposes during the six months ended June 30, 2019 was mainly due to interest expenses on redeemable shares (Note 10) recorded in Gamma Star (before the reorganization completed on June 3, 2019), share-based compensation expenses recorded in Gamma Star and expenses without sufficient supporting invoices, which were not tax deductible.

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, 2019 and 2020.

The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issue of shares in connection with the Reorganization completed on June 3, 2019 and the share subdivision on September 18, 2019 whereby each ordinary share was subdivided into 10 ordinary shares (Note 20(e)). Redeemable shares that are contingently returnable are not treated as outstanding and are excluded from the calculation of basic earnings per share.

Capitalization Issue (note 20(b)) of 462,758,440 ordinary shares was effective on June 29, 2020, the date that the Company was listed on the Main Board of HKSE. Accordingly, the weighted average number of ordinary shares in issue have been adjusted retrospectively as if it was effective from the date of the beginning.

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

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Only for the six months ended June 30, 2019, the Company had one round of redeemable shares (Note 24). As the inclusion of interest expenses on redeemable shares would increase the profit for the six months ended June 30, 2019 and 2020, those redeemable shares were not included in the calculation of the diluted earnings per share as their inclusion would be anti-dilutive.

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

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Right-of-use for properties *RMB'000*	Right-of-use for lands *RMB'000*	Medical equipment *RMB'000*	Transportation equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At December 31, 2019 (Audited):									
Cost	622,302	6,218	207,464	436,379	7,110	39,318	8,000	3,034	1,329,825
Accumulated depreciation	(43,800)	(3,686)	(20,365)	(120,945)	(2,575)	(13,934)	(2,059)	–	(207,364)
Closing net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
Six months ended June 30, 2020 (Unaudited):									
Opening net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
Additions	819	–	–	25,684	923	1,212	152	112,197	140,987
Transfers upon completion	6,605	–	94,996	–	–	–	–	(101,601)	–
Disposals	(1,357)	–	–	(1,136)	(72)	(15)	(210)	–	(2,790)
Depreciation	(10,994)	(651)	(2,711)	(16,316)	(644)	(3,278)	(713)	–	(35,307)
Closing net book amount	573,575	1,881	279,384	323,666	4,742	23,303	5,170	13,630	1,225,351
At June 30, 2020 (Unaudited):									
Cost	628,369	6,218	302,460	456,906	7,922	40,473	7,942	13,630	1,463,920
Accumulated depreciation	(54,794)	(4,337)	(23,076)	(133,240)	(3,180)	(17,170)	(2,772)	–	(238,569)
Closing net book amount	573,575	1,881	279,384	323,666	4,742	23,303	5,170	13,630	1,225,351

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Right-of-use for properties RMB'000	Right-of-use for lands RMB'000	Medical equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2018 (Audited):									
Cost	580,454	2,511	207,464	387,731	4,661	28,277	5,338	509	1,216,945
Accumulated depreciation	(31,447)	(2,381)	(15,913)	(89,884)	(1,671)	(8,926)	(519)	–	(150,741)
Closing net book amount	549,007	130	191,551	297,847	2,990	19,351	4,819	509	1,066,204
Six months ended June 30, 2019 (Unaudited):									
Opening net book amount	549,007	130	191,551	297,847	2,990	19,351	4,819	509	1,066,204
Additions	–	3,706	–	29,093	1,416	8,167	1,457	13,528	57,367
Transfers upon completion	12,821	–	–	–	–	–	–	(12,821)	–
Disposals	–	–	–	(3,445)	(5)	(21)	–	–	(3,471)
Depreciation	(5,821)	(647)	(2,239)	(18,920)	(404)	(2,644)	(664)	–	(31,339)
Closing net book amount	556,007	3,189	189,312	304,575	3,997	24,853	5,612	1,216	1,088,761
At June 30, 2019 (Unaudited):									
Cost	593,275	6,217	207,464	407,323	5,989	36,277	6,795	1,216	1,264,556
Accumulated depreciation	(37,268)	(3,028)	(18,152)	(102,748)	(1,992)	(11,424)	(1,183)	–	(175,795)
Closing net book amount	556,007	3,189	189,312	304,575	3,997	24,853	5,612	1,216	1,088,761

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

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**25,157**	22,682
Administrative expenses	**9,676**	8,657
Capitalization	**474**	–
	35,307	31,339

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, 2019 (Audited):					
Cost	**300,338**	**11,455**	**68,028**	**28,500**	**408,321**
Accumulated amortization	**–**	**(2,508)**	**(11,071)**	**(4,036)**	**(17,615)**
Accumulated impairment	**–**	**–**	**(5,000)**	**–**	**(5,000)**
Net book amount	**300,338**	**8,947**	**51,957**	**24,464**	**385,706**
Six months ended June 30, 2020 (Unaudited):					
Opening net book amount	**300,338**	**8,947**	**51,957**	**24,464**	**385,706**
Additions	**–**	**687**	**–**	**–**	**687**
Amortization	**–**	**(1,224)**	**(788)**	**(475)**	**(2,487)**
Net book amount	**300,338**	**8,410**	**51,169**	**23,989**	**383,906**
At June 30, 2020 (Unaudited):					
Cost	**300,338**	**12,142**	**68,028**	**28,500**	**409,008**
Accumulated amortization	**–**	**(3,732)**	**(11,859)**	**(4,511)**	**(20,102)**
Accumulated impairment	**–**	**–**	**(5,000)**	**–**	**(5,000)**
Net book amount	**300,338**	**8,410**	**51,169**	**23,989**	**383,906**
At December 31, 2018 (Audited):					
Cost	300,338	5,012	68,028	28,500	401,878
Accumulated amortization	–	(890)	(9,495)	(3,086)	(13,471)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	300,338	4,122	53,533	25,414	383,407
Six months ended June 30, 2019 (Unaudited):					
Opening net book amount	300,338	4,122	53,533	25,414	383,407
Additions	–	1,940	–	–	1,940
Amortization	–	(635)	(788)	(475)	(1,898)
Net book amount	300,338	5,427	52,745	24,939	383,449
At June 30, 2019 (Unaudited):					
Cost	300,338	6,952	68,028	28,500	403,818
Accumulated amortization	–	(1,525)	(10,283)	(3,561)	(15,369)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	300,338	5,427	52,745	24,939	383,449

14 INTANGIBLE ASSETS (CONTINUED)

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

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**2,437**	1,650
Administrative expenses	**50**	248
	2,487	1,898

15 DEFERRED INCOME TAX

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deferred tax assets		
– to be realised within 12 months	**4,846**	1,962
– to be realised after more than 12 months	**17,838**	24,686
	22,684	26,648
Deferred tax liabilities		
– to be realised within 12 months	**2,975**	678
– to be realised after more than 12 months	**41,513**	40,566
	44,488	41,244

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Tax losses	19,994	24,016
Employee benefits	–	61
Provisions	1,191	1,148
Unrealised profit	847	762
Impairment of intangible assets	652	661
Total deferred tax assets	22,684	26,648
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,961)	(8,576)
Net deferred tax assets	14,723	18,072

	Tax losses RMB'000	Employee benefits RMB'000	Provisions RMB'000	Unrealised gains RMB'000	Impairment of intangible assets RMB'000	Total RMB'000
As at January 1, 2020 (Unaudited)	24,016	61	1,148	762	661	26,648
(Charged)/credit to profit or loss	(4,022)	(61)	43	85	(9)	(3,964)
As at June 30, 2020 (Unaudited)	19,994	–	1,191	847	652	22,684
As at January 1, 2019 (Audited)	13,153	32	1,176	28	1,136	15,525
Credit/(charged) to profit or loss	5,350	26	(61)	840	(17)	6,138
As at June 30, 2019 (Unaudited)	18,503	58	1,115	868	1,119	21,663

15 DEFERRED INCOME TAX (CONTINUED)

(ii) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at June 30, 2020 *RMB'000* (Unaudited)	As at December 31, 2019 *RMB'000* (Audited)
The balance comprises temporary differences attributable to:		
Intangible assets	**5,997**	6,116
Property, plant and equipment	**38,491**	35,128
Total deferred tax liabilities	**44,488**	41,244
Set-off of deferred tax assets pursuant to set-off provisions	**(7,961)**	(8,576)
Net deferred tax liabilities	**36,527**	32,668

	Property, plant and equipment *RMB'000*	Intangible assets *RMB'000*	Total *RMB'000*
At January 1, 2020	**35,128**	**6,116**	**41,244**
– Charged/(credit) to profit or loss	**3,363**	**(119)**	**3,244**
At June 30, 2020(Unaudited)	**38,491**	**5,997**	**44,488**
At January 1, 2019	26,513	6,353	32,866
– Charged/(credit) to profit or loss	4,105	(118)	3,987
As at June 30, 2019(Unaudited)	30,618	6,235	36,853

16 INVENTORIES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Pharmaceuticals	**21,037**	20,212
Medical consumables	**20,154**	23,245
Spare parts	**2,906**	3,559
	44,097	47,016

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 19)*	**2,236,813**	393,409
Amounts due from related parties *(Note 29)*	**6,531**	3,169
Trade and other receivables excluding non-financial assets *(Note 18)*	**272,346**	211,337
	2,515,690	607,915
Financial liabilities		
Liabilities at amortized cost:		
Trade and other payables excluding non-financial liabilities	**167,664**	204,047
Amounts due to related parties *(Note 29)*	**178**	16,678
Lease liabilities *(Note 23)*	**1,959**	2,604
Redeemable shares *(Note 24)*	**–**	2,030,070
	169,801	2,253,399

18 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

The Group's trade receivables were denominated in RMB.

19 CASH AND CASH EQUIVALENTS

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

Cash and deposits were denominated in the following currencies:

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

20 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:				
Ordinary shares of USD0.0001 each January 1, 2019	500,000,000	50,000	–	–
Share subdivision on September 18, 2019 (e)	4,500,000,000	–	–	–
As of June 30, 2020	5,000,000,000	50,000	–	–
Issued and fully paid:				
Issuance of ordinary shares on January 1, 2019	1,005,971	100.6	–	–
Issuance of ordinary shares with redemption right and completion of the Reorganization of the Group (c)	614,451	61.4	–	2,762,050
Issuance of ordinary shares with redemption right	76,680	7.7	–	–
Issuance of ordinary share for the anti-dilution rights to Mr. Zhu	4,036	0.4	–	11,355
Share allotted for share incentive scheme (d)	23,018	–	–	–
Share subdivision on September 18, 2019 (e)	15,517,404	–	–	–
Dividends	–	–	–	(41,941)
Conversion from redeemable shares into ordinary shares pursuant to IPO (c)	–	–	–	2,107,892
Exercise of employee share scheme (d)	–	2.3	–	62,563
Capitalization issue (b)	462,758,440	4,627.6	33	(33)
Shares issued pursuant to the IPO (a)	120,000,000	1,200.0	8	2,024,247
Share issuance cost	–	–	–	(89,263)
At June 30, 2020*	600,000,000	6,000.0	41	6,836,870

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

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

20 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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

(c) All the issued ordinary shares with redemption right recognized as redeemable shares and have been automatically converted into ordinary shares upon listing of the Company's shares on the Main Board of HKSE (Note 24).

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

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

21 OTHER RESERVES

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At the beginning of the period	**(2,680,702)**	84,494
Exercise of employee share scheme	**(29,188)**	–
Non-controlling interests arising on exercise of employee share scheme (a)	**(66,634)**	–
Issuance of redeemable shares of the Company	**–**	(37,601)
Share-based compensation expense	**4,063**	7,958
Capital injections from shareholders of a subsidiary	**–**	173
Prepaid exercise price of restricted share scheme	**–**	9,100
Acquired additional shares of a subsidiary	**–**	(2,378)
Effect of Reorganization of the Group	**–**	(2,762,050)
At the end of the period	**(2,772,461)**	(2,700,304)

(a) Shanxian Hygeia Hospital Co.,Ltd. ("Shanxian Hygeia Hospital"), one of the principal operating subsidiaries of the Group, has adopted a share incentive plan in November 2017 and May, 2018 to grant restricted shares, total of 18.44% shares with 5 year's vesting condition, to Shanxian Hygeia Hospital employees through three limited liability partnerships for the purpose of attracting and retaining the best available personnel, and to provide additional incentive to employees to promote the success of the Shanxian Hygeia Hospital's business. On May 5, 2020, Shanxian Hygeia Hospital has signed supplemental agreement with grantees to shorten the vesting period from 60 months to a shorter period which ends upon the listing of the Company's shares on the Main Board of HKSE. Accordingly, the related 18.44% shares held by limited liability partnerships became the non-controlling interests upon listing.

22 DEFERRED REVENUE

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Government grant	27,154	28,314
To be realised within 12 months	670	1,771
To be realised after more than 12 months:	26,484	26,543
Total	27,154	28,314

The deferred revenue mainly represented the government grants obtained to assist the construction costs of the Group's plants. 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.

23 LEASE LIABILITIES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	1,376	1,414
– Between 1 and 2 years	675	1,350
	2,051	2,764
Less: future finance charges	(92)	(160)
Present value of lease liabilities	1,959	2,604
Within 1 year	1,296	1,297
Between 1 and 2 years	663	1,307
	1,959	2,604

24 REDEEMABLE SHARES

	Redeemable shares *RMB'000*
Six months ended June 30, 2020 (Unaudited):	
Opening amount	**2,030,070**
Interest expenses on redeemable shares *(Note 10)*	**48,029**
Effect of deferral of the redemption date of redeemable shares (a)	**57,852**
Dividends paid to redeemable shares	**(28,059)**
Conversion into share capital and premium pursuant to IPO *(Note 20 (c))*	**(2,107,892)**
At June 30, 2020	**–**
Six months ended June 30, 2019 (Unaudited):	
Opening amount	1,647,674
Issuance of redeemable shares (b)	293,072
Interest expenses on redeemable shares *(Note 10)*	43,736
At June 30, 2019	1,984,482

(a) The redeemable shares are redeemable at the option of holders. Pursuant to the deed of waiver issued by a relevant investor on February 13, 2020, the relevant investor waived its redemption right in favour of the Company for a period starting on September 1, 2020 through June 30, 2021. The change of carrying amount of redeemable shares by discounting the new contractual cash flow using the original effective interest rate, an non-cash item, have been recognized directly in the other losses (Note 7) of the condensed consolidated statements of comprehensive income.

24 REDEEMABLE SHARES (CONTINUED)

(b) In January, 2019, the Wuxi Pharmatech Healthcare Fund I L.P. ("Wuxi") and Long Hill 1 Plus ("Round Four A investors") have agreed to subscribe the 40,838 and 20,419 shares of the Company, respectively, at the total consideration of US$30,000,000 (equivalent to RMB201,657,000). In the meantime, the Round Four A investors have signed with the existing shareholders of the Company, the Company and Group & Ray I Limited, Group & Ray II Limited and Group & Ray III Limited to agree that (1) if the completion of Reorganization fails to occur on or before June 30, 2019, the Round Four A investors shall be entitled to require the Company to buy back all the shares owned by it, at the price that equals to the subscription Price; (2) if the Company fails to complete IPO before the Round Four investors' 5th anniversary, the Round Four A investors would have the right to ask the Company and its controlling shareholders to repurchase their shares. The redeemable price for the Round Four A investors would equal to the consideration they have paid to get the shares plus 10% annual interest rate deducting the dividends or other income obtained.

In May 10, 2019, the Long Hill HGY ("Round Four B investor") has agreed to subscribe the 15,423 shares of the Company at the total consideration of US$7,800,000(equivalent to RMB53,814,000). In the meantime, the Round One investors, Round Two investors, Round Three investors, Round Four A investors and Round Four B investor have signed the cooperation agreement with the Company and its controlling shareholder as well as Group & Ray I Limited, Group & Ray II Limited, Group & Ray III and agreed that, (i) if the Company cannot complete its IPO successfully before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020), Round One investors would have the right to ask the Company and its controlling shareholders to repurchase their shares (ii) At the earlier date of Round One investors exercising their redemption rights or the Round Two investors' 5th anniversary, Round Two investors would have the right to ask the Company and its controlling shareholders to repurchase their shares (iii) if the Company cannot complete its IPO before the Round Three investors' 5th anniversary, Round Three investors would have the right to ask the Company and its controlling shareholders to repurchase their shares and (iv) if the Company fails to complete IPO before the Round Four A investors and Round Four B investor's 5th anniversary, Round Four A investors and Round Four B investor would have the right to ask the Company and its controlling shareholders to repurchase their shares. The redeemable price would equal to the consideration they have paid to get the shares plus 10% annual interest rate deducting the dividends or other income obtained.

The equity investment of Round Four A investors and Long Hill HGY are recognized as a liability at the present value of the redemption price because of the existence of right of repurchase.

In June 2019, as the reorganization has been completed, the obligation for Round One, Two and Three redeemable shares were transferred from Gamma Star to the Company.

25 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2020 ***RMB'000*** **(Unaudited)**	As at December 31, 2019 *RMB'000* (Audited)
Provision for rotary cobalt-60 therapy unit	**7,935**	7,651
	7,935	7,651

26 TRADE AND OTHER PAYABLES

	As at June 30, 2020 *RMB'000* **(Unaudited)**	As at December 31, 2019 *RMB'000* (Audited)
Trade payables (a)	**107,031**	112,959
Salaries payable	**51,810**	48,329
Payables of considerations for acquisition of subsidiaries	**720**	1,720
Deposits payable	**391**	636
Other taxes payable	**9,678**	10,098
Payable of surcharge for tax overdue payment	**7,578**	7,578
Payables for construction projects	**11,203**	19,613
Prepayments received for radiotherapy equipment licensing	**10,301**	8,681
Dividend payable	**–**	41,940
Payables for intangible assets acquisition	**–**	1,030
Payables for accrual listing expense	**31,345**	5,830
Others	**6,673**	4,060
	236,730	262,474

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

27 CONTRACT LIABILITIES

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

	As at June 30, 2020 *RMB'000* (Unaudited)	As at December 31, 2019 *RMB'000* (Audited)
Hospital Business		
– Outpatient healthcare services	1,993	1,887
– Inpatient healthcare services	3,666	7,189
Radiotherapy Business		
– Radiotherapy equipment maintenance service	150	150
– Radiotherapy equipment sales	656	656
	6,465	9,882

28 DIVIDENDS

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

29 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
Zhu Ligang (朱禮剛)	Relative of Mr.Zhu
Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司)	Controlled by Mr.Zhu and Ms. Zhu
Shanghai Nianjian Investment and Management Co.,Ltd (上海年健投資管理有限公司)	Ultimately controlled by Ji Hairong
Shanghai Longkun Biotechnology Co., Ltd (上海龍昆生物科技有限公司)	Ultimately controlled by Zhu Ligang
Shanghai Wenqiao Investment and Management Co.,Ltd (上海文喬企業管理有限公司)	Ultimately controlled by Zhu Ligang
Dayang International Leasing (Shanghai)Co.,Ltd (大洋國際租賃(上海)有限公司)	Ultimately controlled by Ji Hairong
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
Handan Zhaotian Orthopedic Hospital (邯鄲兆田骨科醫院)	Certain employees or directors of the Group are Handan Zhaotian Orthopedic Hospital's internal governance body members

29 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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and bonus	**1,630**	1,767
Employer's contribution to retirement benefit plan	**23**	135
Allowances and benefits in kind	**82**	118
Share-based compensation expenses	**3,388**	7,056
	5,123	9,076

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recurring transactions		
Radiotherapy Business Revenue		
– Handan Renhe Hospital	**6,640**	3,807
– Kaiyuan Jiehua Hospital	**6,272**	5,152
– Shanghai Nianjian Investment and Management Co.,Ltd	**–**	521
Hospital Management Business Revenue		
– Handan Renhe Hospital	**1,121**	982
– Kaiyuan Jiehua Hospital	**2,390**	1,999
Depreciation on right-of-use assets and interest expenses on lease liabilities		
– Ms. Zhu	**499**	521
– Shanghai Rongqiao Biotechnology Co., Ltd	**183**	190
Non-recurring transactions		
Guarantee provided by Shareholders in respect of borrowings		
– Ji Hairong and Mr.Zhu	**–**	200,000

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

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Amounts due from related parties		
Trade		
– Handan Renhe Hospital	4,997	3,132
– Kaiyuan Jiehua Hospital	1,534	–
Non-Trade		
– Handan Zhaotian Orthopedic Hospital	–	37
	6,531	3,169

As at December 31, 2019 and June 30, 2020, the balances were unsecured, interest-free, and collectable on demand and are denominated in RMB.

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Amounts due to related parties		
Trade		
– Shanghai Rongqiao Biotechnology Co., Ltd	178	–
– Kaiyuan Jiehua Hospital	–	4,648
– Handan Renhe Hospital	–	89
Non-Trade		
– Xiangshang Investment	–	11,941
	178	16,678
Lease liabilities to		
– Ms. Zhu	1,415	1,860
– Shanghai Rongqiao Biotechnology Co., Ltd	518	682

As at December 31, 2019 and June 30, 2020, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

30 CAPITAL 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, 2020 *RMB'000* (Unaudited)	As at December 31, 2019 *RMB'000* (Audited)
Property, plant and equipment	**19,466**	34,943
Intangible assets	**1,662**	1,068
	21,128	36,011

31 CONTINGENT LIABILITIES

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

32 SUBSEQUENT EVENTS

On July 22, 2020, the Company issued 18,000,000 additional new ordinary shares of USD0.00001 each at HK$18.50 per share pursuant to the full exercise of the over-allotment option. The proceeds from the over-allotment option, before related issuance expenses, of approximately HKD333,000,000 (equivalent to approximately RMB299,563,000).

Definitions and Glossaries

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

"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of our Controlling Shareholders
"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd. (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of our Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"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 our Controlling Shareholders
"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 our Controlling Shareholders
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"China" or "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
"Company"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"COVID-19"	Novel coronavirus pneumonia
"Directors"	Director(s) of the Company

Definitions and Glossaries

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "we", or "us"	the Company together with its subsidiaries
"Handan Renhe Hospital"	Handan Renhe Hospital (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on July 31, 2011 and one of our Managed Hospitals
"Handan Zhaotian Hospital"	Handan Zhaotian Orthopedics Hospital (邯鄲兆田骨科醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on August 27, 2015 and one of our Managed Hospitals
"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of our Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"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 by virtue of the contractual arrangements
"IFRS"	International Financial Reporting Standards
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital (開遠解化醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on November 12, 2012 and one of our Managed Hospitals
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date, namely June 29, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of our Company

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managed Hospitals"	Kaiyuan Jiehua Hospital, Handan Renhe Hospital and Handan Zhaotian Hospital
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, our founder and one of our Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of our Controlling Shareholders
"oncology"	the branch of medicine that deals with cancer
"PET-CT"	positron emission tomography-computed tomography, a nuclear medical technology which combines, in a single gantry, a positron emission tomography scanner and an X-ray computed tomography scanner, to acquire sequential images from both devices in the same session and combine such images into a single superposed (co-registered) image, enabling the preciser alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by computed tomography scanning
"Pre-IPO Restricted Share Scheme"	the pre-IPO restricted share scheme approved and adopted by our Company on July 17, 2019
"Pre-IPO Share Award Scheme"	the pre-IPO share award scheme approved and adopted by our Company on July 17, 2019
"Prospectus"	the prospectus of the Company published on June 16, 2020
"public medical insurance programs"	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
"Radiotherapy Center Services"	the services we provide to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of our proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment

Definitions and Glossaries

"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 our 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 our Controlling Shareholders
"Reporting Period"	from January 1, 2020 to June 30, 2020
"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$0.0001 each before share subdivision and with nominal value of US$0.00001 each after share subdivision
"Shareholder(s)"	holder(s) of the Shares
"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of our Company
"VIE Hospitals"	collectively, Shanxian Hygeia Hospital, Heze Hygeia Hospital, Suzhou Canglang Hospital, Chongqing Hygeia Hospital, Longyan Boai Hospital, Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Liaocheng Hygeia Hospital and Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司, a subsidiary of the Group)
"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 on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively