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

Annual Report 2020

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Corporate Information

DIRECTORS

Executive Directors

Ms. Cheng Huanhuan (程歡歡)
Mr. Ren Ai (任愛)
Mr. Zhang Wenshan (張文山)
Ms. Jiang Hui (姜蕙)

Non-Executive Directors

Mr. Fang Min (方敏) *(Chairman)*
Mr. Cao Yanling (曹彥凌)
(resigned with effect from March 30, 2021)
Mr. Zhu Yiwen (朱義文) *(vice Chairman)*
(appointed with effect from March 30, 2021)

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群)
Mr. Chen Penghui
Mr. Ye Changqing (葉長青)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chen Penghui *(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
(resigned with effect from January 25, 2021)
Mr. Lau Kwok Yin
(appointed with effect from January 25, 2021)

AUTHORIZED REPRESENTATIVES

Mr. Ren Ai
Ms. Yeung Ching Man
(resigned with effect from January 25, 2021)
Mr. Lau Kwok Yin
(appointed with effect from January 25, 2021)

REGISTERED OFFICE

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4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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103 South Church Street
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Cayman Islands

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PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
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Jinshan District, Shanghai
the PRC

Bank of China Limited
Shanghai Hanzhong Road Sub-branch
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AUDITOR

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Certified Public Accountants
Registered Public Interest Entity Auditor
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HONG KONG LEGAL ADVISOR

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COMPANY'S WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Audited Year ended December 31,			
	2020	2019	2018	2017
		(RMB'000, except percentages)		
Operating results				
Revenue	**1,401,764**	1,085,826	766,142	596,480
Gross profit	**480,043**	330,120	238,735	169,308
Operating profit	**300,284**	174,207	105,542	48,387
Profit/(losses) before income tax	**252,612**	79,320	27,263	(24,739)
Net profit/(losses)	**177,061**	39,767	2,418	(46,510)
Adjusted net profit (1)	**316,082**	171,542	93,386	48,539
Basic earnings/(losses) per share (in RMB)	**0.38**	0.14	0.01	(0.17)
Profitability				
Gross profit margin	**34.2%**	30.4%	31.2%	28.4%
Net profit/(loss) margin	**12.6%**	3.7%	0.3%	(7.8)%
Adjusted net profit margin (2)	**22.5%**	15.8%	12.2%	8.1%

Notes:

(1) Adjustments to net profit for the year ended December 31, 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 RMB29,068,000; and (iv) share-based compensation expenses of approximately RMB4,072,000. Adjustments to net profit for the year ended December 31, 2019 include: (i) interest expenses of redeemable Shares of approximately RMB89,324,000; (ii) Listing expenses (after tax) of approximately RMB20,311,000; (iii) share-based compensation expenses of approximately RMB10,785,000; 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.

	Audited As of December 31,			
	2020	2019	2018	2017
		(RMB'000)		
Financial position				
Total current assets	**2,922,341**	668,530	513,104	562,118
Total non-current assets	**1,778,964**	1,544,659	1,469,386	1,221,474
Total current liabilities	**280,952**	1,714,181	415,446	393,004
Total non-current liabilities	**78,976**	701,614	1,755,288	1,693,451
Total equity/(deficits)	**4,341,377**	(202,606)	(188,244)	(302,863)

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 17 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).

We are committed to providing one-stop comprehensive treatment services for oncology patients in non-first tier cities. There is a big gap in oncology healthcare services in China. The five-year survival rate of cancer patients, the penetration rate of radiotherapy and the number of radiotherapy equipment per million people in China are far lower than those in the United States. There is a huge demand for oncology treatment in non-first-tier cities in China, but high-quality oncology treatment resources are mainly concentrated in first-tier cities. We believe that with our leading position in the market, we can seize the significant opportunities in the underserved market.

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

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

We are committed to cultivating a high-level, multi-disciplinary team of medical professionals. We continue to enrich our team through internal training and external recruitment. In addition, we also provide patients with second opinions on diagnosis and treatment plans through multi-sited practice for external experts and cooperation with top overseas medical institutions, so that we can treat cancer and other intractable diseases in a variety of ways.

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.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Hygeia Healthcare Holdings Co., Limited, I would like to present you with the annual report of the Group for the year ended December 31, 2020.

In June 2020, Hygeia Healthcare was successfully listed on the Main Board of the Stock Exchange. Hygeia Healthcare regards entering the capital market as the starting point of its long-run development. It takes ten years to sharpen a sword. We have, and will continue to pursue the vision of "making healthcare services more accessible and affordable" and practice the corporate values of "telling truth, performing deeds, and being honest" to better serve patients and develop one-stop comprehensive oncology diagnosis and treatment services to meet the growing demand of oncology patients.

OPERATING PERFORMANCE AND DIVIDEND DISTRIBUTION

For the year ended December 31, 2020, the revenue of Hygeia Healthcare reached RMB1.40 billion, representing a year-on-year increase of 29.1%. With the expansion of the Group's revenue scale and the alongside arising of scale effects, for the year ended December 31, 2020, we recorded a gross profit of RMB480 million, representing a year-on-year increase of 45.4%, and an adjusted net profit of RMB316 million, representing a year-on-year increase of 84.3%.

As the largest oncology healthcare group in China[1], oncology services are our characteristic. The revenue derived from the Group's oncology business has grown at a CAGR of over 40% in the past three years, and its proportion has also steadily increased, which accounted for approximately 47.5% of the Group's total revenue for the year ended December 31, 2020. We will further focus on the multi-disciplinary oncology business, and develop integrated one-stop comprehensive oncology diagnosis and treatment services including cancer screening, diagnosis, multidisciplinary treatment (such as surgery, radiotherapy and chemotherapy, immunotherapy, targeted therapy, minimally invasive surgery), post-treatment rehabilitation, managing cancer as a chronic illness and hospice care for end-of-life patients, covering the various demands of oncology patients throughout the whole life cycle. The Group will further enhance its core competitiveness through talent training programs, new technology introduction and people-oriented services, highlight our oncology brand, and consolidate the Group's leading position in the oncology healthcare service market.

The Group has a stable cash flow. As of December 31, 2020, the cash and wealth management products purchased by the Group (including proceeds from the Global Offering and the exercise of the over-allotment option) reached RMB2.58 billion. I am hereby pleased to announce that the Board has proposed to distribute a final dividend of RMB0.12 per Share for the year ended December 31, 2020 (approximately RMB74.2 million in total). Generating gains for investors is our responsibility. We will grow rapidly by seizing the trend of rising aging population and oncology incidences in China, to meet the demands of more oncology patients and deliver greater returns to investors.

1 Such ranking is in terms of (i) revenue generated from radiotherapy-related services in 2019; and (ii) the number of radiotherapy equipment installed in in-network hospitals and radiotherapy centers as of December 31, 2019, according to Frost & Sullivan.

BUSINESS DEVELOPMENT AND PLANNING

During the year, the Group actively expanded its business network in accordance with the future plans and use of proceeds as described in the Prospectus.

Hospital business: As of December 31, 2020, the main construction works of Liaocheng Hygeia Hospital has basically been topped out, the construction of the phase two project of Chongqing Hygeia Hospital has started, the design schemes and plans of the phase two project of Shanxian Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital are about to be completed, and the construction preparation work for the new hospitals in Longyan and Suzhou and the phase two project of Chengwu Hygeia Hospital are well underway. Self-built hospitals are the unique advantage of Hygeia's expansion. We have a standardized and mature system for the whole establishment process from land acquisition to construction completion and operation commencement, with higher efficiency than the industry average. Meanwhile, we maintain a reasonable investment pace and continue to expand service capacity through construction in phases, which is in line with long-term development vision of operating a hospital with century's heritage. We signed a letter of intent to acquire a Class III private for-profit hospital in South China in January 2021, which is a high-risk area for nasopharyngeal cancer in China. Radiotherapy is the preferred treatment for nasopharyngeal cancer, which is highly consistent with the core advantages of the Group. Meanwhile, the South China region is densely populated and has a vibrant economy. If the acquisition is completed, it will further expand the business footprint of the Group. In addition, in areas that are in line with the Group's strategic layout, we also reserve a considerable number of potential targets for mergers and acquisitions.

Third-party radiotherapy business: For the year ended December 31, 2020, the Group newly opened 4 third-party radiotherapy centers, with 2 additional ones entering the stage of preparation (i.e., installation and commissioning). In addition, we also signed radiotherapy center cooperation agreements with 26 third-party hospital partners. After the opening of these newly signed radiotherapy centers, the number of third-party radiotherapy centers of the Group will increase to 43.

Our expansion plan is standardized, foreseeable, and sustainable. For the three expansion models of new construction, mergers and acquisitions, and third-party radiotherapy centers, Hygeia has established a relatively mature system. In the future, we will continue to refine details to further improve our expansion capacity.

TALENT DEVELOPMENT

During the year, we registered and established Hygeia Doctor Group and established the Hygeia College (virtual). With an open mind, Hygeia established an innovative incentive mechanism, actively introduced high-level professionals, continued to strengthen the training for more than 2,000 medical professionals within the Group, and enhanced academic exchanges within and outside the Group. We continued to improve the connotation of medical technology and service quality, to expand the brand influence of Hygeia.

STANDARDIZED BUSINESS AND MANAGEMENT MODEL

During the year, we continued to optimize the standardized and reproducible business and management model. Through vertical module implantation, various business segments of the Group are empowered to ensure that our business is efficiently developed in 11 provinces in China. We have basically achieved business expansion without regional restrictions, with wide coverage, multiple choices, and large room. In the next three years, we plan to expand our business to 18 provinces through fast and standardized business and management models.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Medical quality control: Doctors are benevolent, and medical quality is the core of our work. We strictly abide by the quality and safety standards of the healthcare industry. We have established a medical quality control committee with sub-committees including the medical committee, the nursing committee, the nosocomial infection control committee, the medical record committee, and the complaint and dispute handling group. We have formulated strict quality control measures and standardized the supervisions and inspections to ensure that our hospitals operate in compliance with applicable laws and regulations.

Patient experience and people-oriented services: We attach great importance to people-oriented services and strive to improve patient satisfaction. We have established completed service standards and process system to strengthen information construction and improve patients' medical experience. We have established a team for satisfaction surveys to conduct monthly and quarterly satisfaction surveys and collect patient feedback in anonymous manner, or via Internet, telephone, questionnaire, or face-to-face communications, to continuously improve service quality.

Carrying out public welfare activities: We actively participated in various public welfare activities and assumed corporate social responsibility. We worked with the Women's Federation of Longyan (龍岩市婦聯) to carry out public welfare activities and provide free "thyroid and breast cancer" screening services for 30 thousand women within three years; Chongqing Hygeia Hospital has undertaken the public welfare project "Four Types of Cancers Screening for Women" in local High-tech Industrial Development Zone, and has also become the only designated hospital for the public welfare project "Relief Program for Ten Thousands of Poor Oncology Patients" initiated by the Chongqing Social Assistance Foundation (重慶市社會救助基金會); Shanxian Hygeia Hospital and Suzhou Canglang Hospital provided assistance to local poor patients and reduced the burden on patients to help their families avoid being reduced to or returned to poverty because of illness. We actively carried out various forms of assistance initiatives, so that the assisted groups can feel the warmth of society and build confidence in life.

RESPONSE TO COVID-19

In 2020, the COVID-19 pandemic swept the world and caused a sudden disaster. After the outbreak, we acted quickly, resolutely obeyed the Chinese government's overall epidemic prevention deployment, and dispatched medical personnel to stations, highway intersections and other important traffic routes for prevention and control of epidemic. At the same time, within the Group, strict prevention and control measures were implemented to ensure the safety of patients and employees and ensure that oncology diagnosis and treatment were not interrupted. When the pandemic was at its worst, as the traffic was not smooth nor convenient, we carried out online diagnosis and treatment, and arranged ambulances to deliver medicines and epidemic prevention materials offline to solve the urgent needs of patients. Most of our hospitals quickly established fever outpatient departments and PCR laboratories, and carried out epidemic screenings such as fever and nucleic acid testing in a timely manner, so as to achieve both epidemic prevention and oncology diagnosis and treatment. In the darkest moment of the epidemic in the first half of 2020, the medical professional team of Hygeia were not afraid of danger, and united with one heart and mind with military-like execution to protect people's lives with their own lives.

CONCLUSION

Finally, on behalf of the Board, I would like to express my sincere gratitude to all patients and investors for their trust and support. At the same time, I would like to pay high tribute to all employees of Hygeia Healthcare for their unremitting efforts. At present, the aging population of the Chinese society is rapidly increasing, and the oncology incidence is rising year by year. According to Frost & Sullivan, there are nearly 5 million new cases of tumors each year. In addition, with the advancement of diagnosis and treatment technology, the 5-year survival rate of oncology patients has improved, and the survival period has been prolonged. The number of oncology patients in stock continues to increase, and the demand for diagnosis and treatment is strong. However, the high barriers of cancer diagnosis and treatment limit the growth of the supply side, and the gap between supply and demand is huge, with scarce high-quality oncology medical resources. All medical staff of Hygeia Healthcare shoulder the mission of rescuing the dying and helping the wounded to help the public, and at the same time enjoy the continuous favorable policies for private healthcare industry. Fortunately, like-minded investors have been cooperated, and make what Hygeia Healthcare is today. We also know that we have a long way to go, but the demand is turbulent, and the trend is clear. We aim to make a difference through tedious efforts on the road full of uncertainties and with no end in sight. A journey of a thousand miles begins with a single step. Ten years ago, Hygeia Healthcare resolutely embarked on a great journey, and we have realized outstanding achievements through defining trends in the big cycle and acting on the trends from small, keeping upright and practicing innovative thinking, and carefully verifying. We have followed what Lao Tzu said, "difficult tasks are tackled from easy tasks, and great undertakings begin with trivial events." In the next ten years, we will still aim higher, get our feet on the ground, and rise abruptly based on our accumulated strength. We will practice our corporate values of "telling truth, performing deeds and being honest,", keep in mind our mission of "making healthcare services more accessible and affordable and making life healthier," and continuously create value for patients, investors, society, and employees.

Fang Min
Chairman

March 29, 2021

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. As of December 31, 2020, the Group (i) owned and operated 7 private for-profit hospitals; (ii) managed 3 private not-for-profit hospitals; and (iii) provided services to 17 hospital partners for their radiotherapy centers.

The Group adheres to the principle of patient satisfaction first, paying attention to the improvement in its medical service quality and continuously strengthening delicacy management. As compared with last year, there was a continuous increase in the number of patient visits of the Group and a steady rise in the average spending per visit, promoting strong growth in the overall revenue of the Group in 2020 and significant improvement in the operation and management efficiency. For the year ended December 31, 2020, the revenue of the Group was RMB1,401.8 million, representing an increase of 29.1% as compared with last year. Gross profit was RMB480.0 million, representing an increase of 45.4% as compared with last year. The following table sets forth the Group's revenue breakdown by service types for the years indicated:

	Audited Year ended December 31,			
	2020		2019	
	(RMB'000)	*% of revenue*	*(RMB'000)*	*% of revenue*
Hospital business				
– Outpatient healthcare services	373,137	26.6	264,834	24.4
– Inpatient healthcare services	870,088	62.1	679,893	62.6
Sub-total	1,243,225	88.7	944,727	87.0
Third-party radiotherapy business				
– Radiotherapy center consulting services	50,839	3.6	46,237	4.3
– Radiotherapy equipment licensing	58,955	4.2	49,844	4.6
– Radiotherapy equipment maintenance services	41,021	2.9	31,699	2.9
– Radiotherapy equipment sales	–	–	7,080	0.6
Sub-total	150,815	10.7	134,860	12.4
Hospital management business	7,724	0.6	6,239	0.6
Total	1,401,764	100.0	1,085,826	100.0

Hospital Business

For the year ended December 31, 2020, the Group's revenue from hospital business was RMB1,243.2 million, representing an increase of 31.6% over last year, among which revenue from outpatient healthcare services was RMB373.1 million, representing an increase of 40.9% over last year, and revenue from inpatient healthcare services was RMB870.1 million, representing an increase of 28.0% over last year. The brand influence of self-owned hospitals of the Group gradually increased, with continuous enhancement of patient stickiness and increase in patient visits. For the year ended December 31, 2020, the number of inpatient visits was 66,429, representing an increase of 12.2% over last year; the number of outpatient visits was 959,839, representing an increase of 13.4% over last year. The Group is committed to providing patients with high-quality one-stop oncology treatment services, actively expands diagnosis and treatment items and enriches treatment methods, resulting in a continuous increase in average revenue per patient visit. For the year ended December 31, 2020, the average spending per inpatient visit was RMB13,098, representing an increase of 14.0% over last year, and the average spending per outpatient visit was RMB389, representing an increase of 24.3% over last year. As of December 31, 2020, the Group operated or managed a network of 10 oncology-focused hospitals, covering 7 cities in 6 provinces in China.

	Unaudited Year ended December 31, 2020	 2019
Inpatient healthcare services		
Number of inpatient visits	**66,429**	59,197
Average spending per inpatient visit (RMB Yuan)	**13,098**	11,485
Outpatient healthcare services		
Number of outpatient visits	**959,839**	846,374
Average spending per outpatient visit (RMB Yuan)	**389**	313

The following table sets forth a summary of the Group's in-network hospitals as of December 31, 2020:

Hospital	Location	GFA (m^2)	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	14,851	Private for-profit Class IIB general hospital	Acquired	314
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	24,786	Private for-profit Class II oncology specialty hospital	Established	200
7. Heze Hygeia Hospital	Heze, Shandong	53,160	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)]

Note:

(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 year ended December 31, 2020, the Group's revenue from third-party radiotherapy business was RMB150.8 million, representing an increase of 11.8% over last year.

The Group provides Radiotherapy Center Services to 17 hospital partners (including hospitals in which the Group holds organizer's interest) in 9 provinces in China. As of December 31, 2020, the Group has signed radiotherapy center cooperation agreements with 26 third-party hospital partners located in 14 provinces in China. After the opening of these newly signed radiotherapy centers, the number of radiotherapy centers in the Group's radiotherapy center network will increase to 43. The Group believes that it will further increase the Group's revenue from third-party radiotherapy business and expand the Group's radiotherapy center network.

Radiotherapy center	Location
Owned by the Group's Managed Hospitals	
1. Renhe Radiotherapy Center	Handan, Hebei
2. Kaiyuan Radiotherapy Center	Kaiyuan, Yunnan
3. Zhaotian Radiotherapy Center	Handan, Hebei
Owned by Independent Third Parties	
4. Xuanwei Radiotherapy Center	Xuanwei, Yunnan
5. Zhangjiagang Radiotherapy Center	Zhangjiagang, Jiangsu
6. Wuzhong Radiotherapy Center	Wuzhong, Ningxia
7. Xiangyang Radiotherapy Center	Xiangyang, Hubei
8. Xianyang Radiotherapy Center	Xianyang, Shaanxi
9. Ezhou Radiotherapy Center	Ezhou, Hubei
10. Zhucheng Radiotherapy Center	Zhucheng, Shandong
11. Qufu Radiotherapy Center	Qufu, Shandong
12. Zhuzhou Radiotherapy Center	Zhuzhou, Hunan
13. Shijiazhuang Radiotherapy Center	Shijiazhuang, Hebei
14. Changsha Radiotherapy Center	Changsha, Hunan
15. Ji'an Radiotherapy Center	Ji'an, Jiangxi
16. Sheyang Radiotherapy Center	Yancheng, Jiangsu
17. Changshu Radiotherapy Center	Suzhou, Jiangsu

In addition to the 17 radiotherapy centers set out in the table above, as of December 31, 2020, the Group has signed radiotherapy center cooperation agreements with 26 third-party hospital partners, located in 14 provinces in China. After the opening of these newly signed radiotherapy centers, the Group's radiotherapy center network will increase to 43. The Group believes that it will further increase the Group's revenue from third-party radiotherapy business.

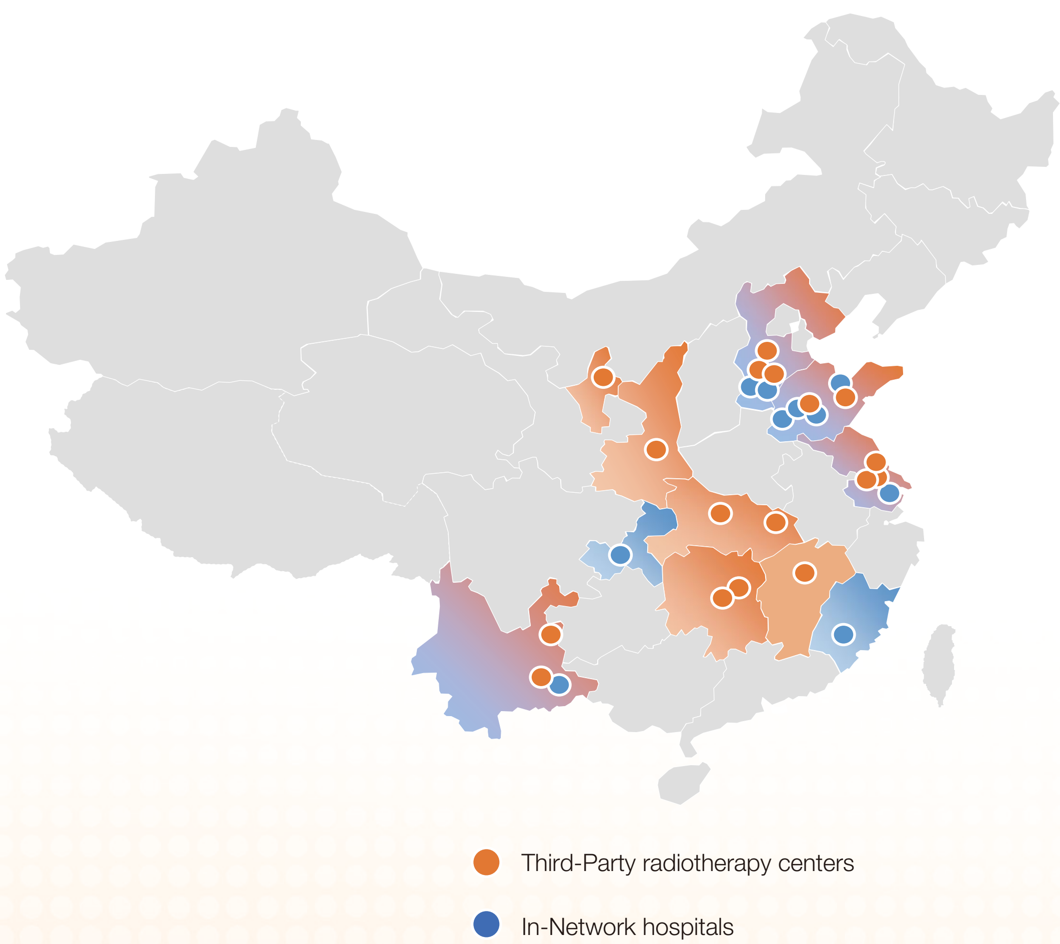
Hospital Management Business

The Group manages, operates and receives management fees from 3 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 management fees calculated at a fixed percentage of revenue of the Managed Hospitals for a period of 40 years. For the year ended December 31, 2020, the revenue from hospital management business was RMB7.7 million, representing an increase of 24.2% compared with last year.

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 17 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 multi-disciplinary oncology healthcare services in the Group's self-owned hospitals, including services covering the whole life cycle of oncology patients such as radiotherapy, surgery, chemotherapy, immunotherapy, targeted therapy, tumor screening and genetic testing, oncology rehabilitation, nutrition 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.

For the year ended December 31, 2020, the overall revenue of the Group from oncology business increased continuously by 32.8% from RMB500.9 million for the year ended December 31, 2019 to RMB665.4 million for the year ended December 31, 2020, and accounted for 47.5% of the consolidated revenue of the Group. Among the oncology-related services, revenue from radiotherapy-related businesses was RMB280.1 million, representing an increase of 18.9% over last year, and revenue from other oncology healthcare businesses was RMB385.3 million, representing an increase of 45.2% over last year.

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

	Audited Year ended December 31,			
	2020		2019	
	(RMB'000)	***% of total revenue***	*(RMB'000)*	*% of total revenue*
Radiotherapy-related businesses				
Radiotherapy treatment business provided by self-owned hospitals	**129,248**	**9.2**	100,731	9.3
Third-party radiotherapy business	**150,815**	**10.8**	134,860	12.4
Sub-total	**280,063**	**20.0**	235,591	21.7
Other oncology healthcare services	**385,296**	**27.5**	265,320	24.4
Sub-total revenue from oncology business	**665,359**	**47.5**	500,911	46.1
Revenue from non-oncology business	**736,405**	**52.5**	584,915	53.9
Total revenue	**1,401,764**	**100.0**	1,085,826	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 years indicated:

	Audited Year ended December 31,			
	2020		2019	
	Gross profit *(RMB'000)*	Gross profit margin	Gross profit *(RMB'000)*	Gross profit margin
Hospital business	**378,300**	**30.4%**	238,754	25.3%
Third-party radiotherapy business	**96,083**	**63.7%**	87,064	64.6%
Hospital management business	**5,660**	**73.3%**	4,302	69.0%
Total	**480,043**	**34.2%**	330,120	30.4%

For the year ended December 31, 2020, the gross profit of hospital business was RMB378.3 million, the gross profit margin was 30.4%, and the gross profit margin of the Group increased by 3.8% to 34.2% from 30.4% for the year ended December 31, 2019. The Group believes that with the expansion of the hospital business network, the gradual revenue growth will further dilute relevant costs, thus increasing the gross profit margin.

Business Development

1. Upgrading the service capabilities and treatment methods of the Group's existing in–network hospitals

In 2020, Chongqing Hygeia Hospital rapidly increased its patient visits by expanding its technical means and brand influence. This hospital was additionally equipped with two high-end radiotherapy equipment and one PET-CT to further meet the increasing demands of oncology patients; the phase two project of Chongqing Hygeia Hospital commenced in the second half of 2020, with the GFA of approximately 72,000 square meters and 800 to 1,000 beds as planned. Upon the completion of this phase two project, Chongqing Hygeia Hospital can provide services to more oncology patients.

Shanxian Hygeia Hospital newly introduced the world's top scientific research-level Philips 256-slice spiral CT and Philips 3.0T fully-digital MRI equipment. This hospital launched new projects including without limitation aneurysm clipping and stereotactic brainstem biopsy. Shanxian Hygeia Hospital has also successively established a national chest pain center and a provincial stroke center to improve the ability to treat critically ill patients, thus significantly improving its technical connotation, further strengthening the brand advantages in the region and better serving patients.

Suzhou Canglang Hospital has newly established the department of digestive endoscopy, and newly introduced the world's advanced Japanese Olympus electronic gastrointestinal endoscopy system, on the basis of the original endoscopic equipment. This system is capable of helping doctors identify lesions more accurately and quickly and perform microscopic minimally invasive surgery, thus improving the diagnostic rate of early-stage cancer and precancerous lesion of the digestive tract as well as the treatment of digestive tumors.

Longyan Boai Hospital has established an intraday infusion center for targeted therapeutic drugs against cancers and immunotherapeutic drugs (PD-1), which provides more humanized services for patients. The patients may return home for rehabilitation during the treatment break, which reduces the psychological pressure and economic burden arising out of long-term hospitalization and contributes to the disease remission and rehabilitation of patients.

Heze Hygeia Hospital has made efforts to carry out early-stage cancer screening, especially pulmonary nodule screening, in Heze, so as to facilitate early identification, diagnosis and treatment of diseases for patients, thus improving the treatment effect and prolonging the life of patients. Heze Hygeia Hospital has also established a medical treatment alliance with the Affiliated Hospital of Jining Medical University (濟寧醫學院附屬醫院) and Jining No.1 People's Hospital (濟寧市第一人民醫院), so as to strengthen the deep cooperation in major departments and improve the overall academic level of the hospitals.

Chengwu Hygeia Hospital has developed 17 new technologies including radical mastectomy, thoracic and abdominal centesis and catheterization, in oncology, radiotherapy, oncology rehabilitation and other departments, recorded an increase of over 300% in the oncology-related revenue as compared with last year, and built a good reputation among the residents.

2. Expanding the medical service network of the Group through endogenous growth

In June 2020, the Liaocheng Hygeia Hospital project commenced, with the GFA of approximately 87,000 square meters and 800 beds as planned for the phase one. Liaocheng Hygeia Hospital is expected to commence operation at the beginning of 2022, which will further expand the oncology service coverage of the Group and increase its revenue.

In June 2020, the Group and relevant authorities in Wuxi City, Jiangsu Province signed a hospital project investment intention agreement and began preparations for the construction of the hospital, which will be a Class III hospital as planned, with the GFA of approximately 45,000 square meters and 400 beds as planned for phase one, and is expected to commence operation by the end of 2023. This initiative is symbolic meaning for the Group to further expand the oncology service market in the Yangtze River Delta region, and plays an important role in increasing the influence of the oncology service brand of the Group in the Yangtze River Delta region, further increasing the revenue of the Group from oncology services and expanding the Group's share in the oncology service market.

In November 2020, the acquisition of the land of approximately 80 mu by auction for Dezhou Hygeia Hospital was announced, and the land acquisition agreement was signed. Dezhou Hygeia Hospital will be a Class III hospital as planned, with the GFA of approximately 45,000 square meters and 400 beds as planned for phase one, and is expected to commence operation by the end of 2022. The commencement of operation of Dezhou Hygeia Hospital after completion of the construction will further strengthen the Group's market share and regional advantages in Shandong Province, further expanding its coverage over the surrounding areas, and lay a solid foundation for the establishment of a three-tier hospital network in Shandong Province.

For the year ended December 31, 2020, the Group opened 4 new third-party radiotherapy centers, and had 2 centers under preparation (i.e. installation and commissioning), which are expected to officially commence operation in the second quarter of 2021. The Group will continue to broaden its radiotherapy center network to expand the scale of radiotherapy business.

Medical quality

Medical quality is the focus of the Group. The quality control committee of the Group consists of sub-committees, including the medical committee, the nursing committee, the nosocomial infection control committee, the medical record committee, and the complaint and dispute handling group. The perfect quality control and standardized services support the operation of each hospital of the Group. The Group actively implements the core system of medical quality and safety, carries out the whole-process quality control and supervision for clinical departments, and gives feedback and notice, and carries out assessment for problems identified in a timely manner.

The Group always puts patient satisfaction first, conducts quarterly satisfaction assessment on its in-network hospitals, and hears the feedback and opinions from patients, so as to further improve the quality of medical services and provide more humanized services for patients.

Team of medical professionals

As of December 31, 2020, the Group had a total of 2,560 medical professionals, representing an increase of 403 compared to December 31, 2019, and including a total of 299 chief physicians and associate-chief physicians, representing an increase of 111 compared to December 31, 2019. The self-owned hospitals of the Group had 226 full-time oncology-related experts, representing an increase of 71 compared to December 31, 2019. The experts are specialized in the treatment of respiratory system tumors (including lung cancer, laryngeal cancer, etc.), digestive system tumors (including gastric cancer, colorectal cancer, etc.), reproductive system tumors (including gynecologic tumor, prostate tumor, etc.), nervous system tumors, endocrine system tumors, urinary system tumors, hematologic tumors and head and neck tumors, etc. The Group will continue to identify and recruit experienced medical professionals.

The Group is committed to implementing the service philosophy of "make healthcare services more accessible and affordable (讓醫療更溫暖)". The Group further improves its talent training system and performance evaluation mechanism through the establishment of Hygeia College (海吉亞學院) (virtual). Hygeia College consists of the dean, the academic committee and the office of academic affairs, and has three groups, namely professional study group, management training group and external training group. The establishment of Hygeia College will further optimize the growth and learning environment for employees, build a multi-level talent team for the Group, and lay a solid foundation for the continuous development and training of inter-disciplinary talents with medical expertise, thus continuously creating long – term value for Shareholders.

Academic and scientific research

As a medical service provider featured with oncology business, the Group also made efforts in the academic and scientific research fields in 2020:

Chongqing Hygeia Hospital and/or its medical professionals, as one of the participants, secured one National Natural Science Foundation Project (國家自然科學基金項目) and one National Key Research and Development Project (國家重點研發計劃) of 11 ministries and commissions under the State Council; published/jointly published 3 SCI papers, 5 international papers, and 32 papers in domestic core journals; won the first prize for industry-academia-research innovation achievement in Chongqing and 1 national utility model invention patent; has established a laboratory with the expert who was listed on the national Thousand Talents Plan (千人計劃) (also serves as the chief scientist of the national Project 973 (973項目)), and the expert from Chongqing Hundred Talents Plan (重慶市百人計劃).

Shanxian Hygeia Hospital and/or its medical professionals obtained a total of 16 national utility model invention patents, and published 44 papers, including 6 SCI papers and 33 papers in domestic core journals. Heze Hygeia Hospital and/or its medical professionals obtained a total of 7 national utility model invention patents, and published 8 papers, including 3 papers in domestic core journals; Longyan Boai Hospital and/or its medical professionals published a total of 16 papers, including 1 paper in a domestic core journal and 7 provincial papers; Suzhou Canglang Hospital and/or its medical professionals published a total of 2 papers, including 1 SCI paper, and 1 paper in a domestic core journal.

The Group serves the patients better by continuously improving its scientific research capabilities.

Social responsibility and honor

In January 2021, Chongqing Hygeia Hospital won the model award for the specialty development in hygiene and health sector under the "13th Five-year Plan" in Chongqing, and the honorary title of "Organization Caring for the Disabled (愛心助殘單位)" in 2020 granted by Chongqing Welfare Foundation for Disabled Persons (重慶市殘廢人福利基金會), and was listed as a designated foreign-related hospital in Chongqing. The construction of phase two project of Chongqing Hygeia Hospital is included in the "14th Five-Year Plan" of the Administration of High-tech Industrial Development Zone of Chongqing (重慶高新技術產業開發區管理委員會).

In active response to the call of the state for targeted poverty alleviation, Shanxian Hygeia Hospital provided assistance to more than 410 poor families in 7 administrative villages in Shanxian, and performed free surgical treatment for poor patients in urgent needs of treatment, which was praised by the government and the masses.

Longyan Boai Hospital has become a training center of China Maternal and Child Health Association (中國婦幼保健協會) for breast cancer screening, prevention and treatment, as well as an organization for development of standardized diagnosis and treatment of cancer pains under the "Spark Plan (星火計劃)" of Fujian Anti-cancer Association, and worked with the Women's Federation of Longyan (龍岩市婦聯) to carry out free "thyroid and breast cancer" screening for 30 thousand people and the public benefit project of assistance to thousands people (萬人救助計劃公益項目).

In July 2020, Suzhou Canglang Hospital won the honor of Advanced Medical Insurance Designated Hospital in Suzhou Industrial Park (directly under the provincial government) (蘇州工業園區(省級直屬)醫療保險先進定點醫院) for the third year in a row. Moreover, Suzhou Canglang Hospital was recognized as the "Enterprise with Harmonious Labor Relations in Suzhou (蘇州市勞動關係和諧企業)" in 2020.

Anqiu Hygeia Hospital was recognized as the Anqiu Excellent Medical Institution (安丘市優秀社會辦醫機構); Chengwu Hygeia Hospital won the honor of "Advanced Organization in Professional Moral Construction in Heze (菏澤市職工職業道德建設先進單位榮譽)".

The above honors represent the recognition by the government and the public of the performance of social responsibilities and other work of the Group and its in-network hospitals.

Impact of COVID-19 pandemic and fight against the outbreak

The COVID-19 pandemic has a significant impact on China and the global market. All in-network hospitals of the Group also faced huge challenges and pressures after the COVID-19 outbreak. Nevertheless, the staff of the Group and in-network hospitals acted as one instead of flinching from the outbreak. The Group always adhered to the service philosophy of "make healthcare services more accessible and affordable (讓醫療更溫暖)", and the principle of patient satisfaction first. They worked together to fight adversity, and tided over the difficulties with patients tenaciously. In terms of the results of operations for the year ended December 31, 2020, the Group fully achieved its annual operating targets, with rapid growth of 29.1% in revenue and a strong increase of 84.3% in adjusted net profit.

In response to the COVID-19 pandemic, the Group, as a professional medical service provider which serves oncology patients, implemented the following epidemic prevention measures:

1) The Group warned all colleagues that the more difficult the circumstance is, the more they should adhere to the service philosophy of "make healthcare services more accessible and affordable (讓醫療更溫暖)", and should not give up or flinch from the difficulty; they should persist in putting patient satisfaction first, and serve the patients wholeheartedly;

2) Many in-network hospitals of the Group actively provided online consulting, diagnosis and treatment services, and actively offered more convenient and considerate psychological counseling and treatment services to the patients;

3) The Group complied with the safety and prevention guidelines on COVID-19 issued by local medical administrative authorities and strictly implemented epidemic prevention and control measures; and inspected the implementation of epidemic prevention control measures by in-network hospitals from time to time, so as to ensure the strict appropriate implementation of the measures;

4) Capitalizing on the resource allocation advantages of its supply chain, the Group overcame difficulties including traffic interruption, and made its best efforts to purchase enough epidemic prevention materials (such as masks, gloves, protective clothing, disinfectant etc.), so as to protect the material supply for medical staff and patients as far as possible;

5) Relevant medical professionals of in-network hospitals upheld the humanitarian spirit, and actively supported the epidemic prevention work in major affected areas, and returned to the hospitals safely after a victory over the pandemic;

6) As of December 31, 2020, many in-network hospitals of the Group passed the acceptance inspection for PCR laboratories, and actively provided various testing services including nucleic acid test, to support the resumption of production and work for the people.

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) continue to put patient satisfaction first, and provide one-stop medical services covering the whole life cycle of oncology patients by continuously improving the medical service standard, introducing frontier technology and equipment, training and introducing professional teams, and ensuring the quality of medical services; continue to actively undertake public benefit projects of the government (such as "cervical and breast cancer screening (兩癌篩查)"), provide diagnosis on a volunteer basis in grass-roots units, care for the vulnerable, further enhance brand awareness through performing social responsibilities, and implement the philosophy of "make healthcare services more accessible and affordable (讓醫療更溫暖)";

(2) further strengthen academic construction, actively participate in various national, provincial and municipal scientific research projects, enhance the cooperation with colleges and universities in talent and academic fields, encourage academic research and the publication of papers, so as to promote the joint development of industry, academia and research; actively promote Hygeia College, build a multi-level talent team for the Group, and continuously develop and train inter-disciplinary talents with medical expertise, thus continuously creating long-term value for Shareholders;

(3) capitalize on its advantages in the oncology industry, continue to rapidly increase its revenue through both endogenous and exogenous growth, and expand the operation network of the Group in China:

    (i) to actively promote the preparation and construction of self-established hospitals, increase the reserve of self-established hospitals, and promote the phase two construction projects of the existing hospitals, so as to satisfy the growing demand of local patients;

    (ii) to actively identify high-quality merger and acquisition targets, promote the project process and continuously strengthen the consolidation capacities in the industry;

    (iii) to promote the agreements for and the commencement of operation of radiotherapy centers, and enhance the brand influence;

(4) further comply with various regulatory requirements of the industry and strengthen standardized operation, including implementing the core system of medical quality and safety, supervising medical quality and safety, ensuring medical safety and increasing brand credibility; and further enhance the compliance awareness at the hospital level and strictly comply with regulations on prescription and medical insurance reimbursement;

(5) continuously expand its business scale to develop the advantage of scale through rapid development; and continuously strengthen delicacy management to further improve its management efficiency;

(6) continue strengthening the standardized management of the Company and the communication with regulatory authorities, including the Stock Exchange and various professional institutions, so as to further improve the comprehensive corporate governance.

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 29.1% to RMB1,401.8 million for the year ended December 31, 2020 from RMB1,085.8 million for the year ended December 31, 2019.

Hospital Business

The Group's revenue from hospital business increased by 31.6% to RMB1,243.2 million for the year ended December 31, 2020 from RMB944.7 million for the year ended December 31, 2019. The increase in the revenue was attributable to the continuous increases in the patient stickiness and patient visits as a result of the increase in the brand influence of self-owned hospitals of the Group. For the year ended December 31, 2020, the number of inpatient visits was 66,429, representing an increase of 12.2% compared with last year, and the number of outpatient visits was 959,839, representing an increase of 13.4% compared with last year. The Group has actively expanded diagnosis and treatment items and enriched treatment methods, resulting in a continuous increase in average revenue per patient visit. For the year ended December 31, 2020, the average revenue per inpatient visit was RMB13,098, representing an increase of 14.0% over last year, and the average revenue per outpatient visit was RMB389, representing an increase of 24.3% over last year.

Third-party Radiotherapy Business

The Group's revenue from third-party radiotherapy business increased by 11.8% to RMB150.8 million for the year ended December 31, 2020 from RMB134.9 million for the year ended December 31, 2019, mainly due to a year-on-year increase of 15.3% in average revenue per visit in relation to third-party radiotherapy business.

Hospital Management Business

The Group's revenue from hospital management business increased by 24.2% to RMB7.7 million for the year ended December 31, 2020 from RMB6.2 million for the year ended December 31, 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 and other related expenses.

The Group's cost of revenue increased by 22.0% to RMB921.7 million for the year ended December 31, 2020 from RMB755.7 million for the year ended December 31, 2019, primarily due to the increase in the scale of revenue and 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 RMB75.4 million compared with that of last year, increase in employee benefits expenses of RMB62.4 million compared with that of last year, and increase in the service costs of radiotherapy centers of RMB8.6 million compared with that of last year.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 45.4% to RMB480.0 million for the year ended December 31, 2020 from RMB330.1 million for the year ended December 31, 2019.

The Group's gross profit margin increased to 34.2% for the year ended December 31, 2020 from 30.4% for the year ended December 31, 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 and expenses. 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.

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 11.0% to RMB13.7 million for the year ended December 31, 2020 from RMB15.4 million for the year ended December 31, 2019, primarily because no new hospital was opened for the year ended December 31, 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, depreciation and amortization, travelling expenses, office expenses, utilities expenses, Listing expenses and other expenses.

The Group's administrative expenses increased by 12.2% to RMB152.9 million for the year ended December 31, 2020 from RMB136.3 million for the year ended December 31, 2019, primarily due to the increase in Listing expenses of RMB12.0 million.

Other Income

During the Reporting Period, the Group's other income primarily consisted of government grants, while government grants were primarily comprised of (i) grants that are related directly to expense items and recognized when received in its consolidated statement of comprehensive income; and (ii) grants that are related to assets and are recognized as deferred revenue when received in its consolidated statement of financial position, which are subsequently released to the 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 71.4% to RMB8.4 million for the year ended December 31, 2020 from RMB4.9 million for the year ended December 31, 2019, primarily due to the increase in income from government grants of RMB3.5 million.

Other Losses – Net

During the Reporting Period, the Group's other losses – net primarily consisted of loss arising from deferral of the redemption date of redeemable Shares, loss from disposal of fixed assets, wealth management and structured deposit products income and fair value loss for anti-dilution rights given to Mr. Zhu. Other losses – net increased by 136.3% to RMB21.5 million for the year ended December 31, 2020 from RMB9.1 million for the year ended December 31, 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; and these expenses were one-off expenses and would not affect the net profits of the Group for subsequent years), which is partially offset by an increase of RMB37.9 million in wealth management and structured deposit products income and a decrease of RMB11.4 million in fair value loss for anti-dilution rights given to Mr. Zhu.

Finance Income and Costs

During the Reporting Period, the Group's finance income consisted of interest income on its bank savings. Finance income decreased to RMB0.5 million for the year ended December 31, 2020 from RMB0.6 million for the year ended December 31, 2019.

The Group's finance costs were mainly comprised of its interest expenses on bank borrowings, interest expenses on lease liabilities and interest expenses on redeemable Shares. The Group's finance costs decreased by 49.5% to RMB48.2 million for the year ended December 31, 2020 from RMB95.5 million for the year ended December 31, 2019. There was a decrease of RMB41.3 million in interest expenses of redeemable Shares (the redeemable Shares had been converted into ordinary Shares on the Listing Date. The interest expenses of redeemable Shares were one-off expenses and would not affect the net profits of the Group for subsequent years) and a decrease of RMB6.0 million in interest expenses on bank borrowings.

Income Tax Expense

The Group's income tax expense increased by 90.9% to RMB75.6 million for the year ended December 31, 2020 from RMB39.6 million for the year ended December 31, 2019, primarily due to the increase of RMB164.2 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 increased by 345.0% to RMB177.1 million for the year ended December 31, 2020 from RMB39.8 million for the year ended December 31, 2019. The Group's net profit margin increased to 12.6% for the year ended December 31, 2020 from 3.7% for the year ended December 31, 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 84.3% to RMB316.1 million for the year ended December 31, 2020 from RMB171.5 million for the year ended December 31, 2019.

Liquidity and Capital Resources

The Group's business operations and expansion plans require a significant amount of capital, including upgrading the existing in-network hospitals, establishing and acquiring new hospitals and other working capital requirements. Historically, the Group financed its capital expenditures and working capital requirements mainly through cash generated from operations, bank borrowings and capital contributions from Shareholders. As of December 31, 2020, the Group had cash and cash equivalents of RMB385.1 million.

Operating Activities

The Group derived its cash inflow from operating activities primarily through provision of healthcare service, hospital management services and third-party radiotherapy 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 29.5% to RMB296.1 million for the year ended December 31, 2020 from RMB228.6 million for the year ended December 31, 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.

The Group's net cash used in investing activities increased to RMB2,477.6 million for the year ended December 31, 2020 from RMB135.0 million for the year ended December 31, 2019, primarily attributable to the purchase of wealth management products and structured deposit products whose balance was RMB2,196.9 million as of December 31, 2020.

Financing Activities

During the Reporting Period, cash inflow from financing activities was mainly comprised of proceeds from the Listing and over-allotment. Cash outflow from the Group's financing activities was mainly comprised of payment of Listing expenses and dividends.

The Group's net cash generated from financing activities increased to RMB2,174.5 million for the year ended December 31, 2020 from RMB104.6 million for the year ended December 31, 2019, primarily due to the receipt of the proceeds from the Listing of RMB2,024.3 million by the Group on June 29, 2020 and the proceeds of RMB298.7 million from over-allotment on July 22, 2020.

Significant Investment, Material Acquisitions and Disposals

As part of its treasury management, the Group has invested in the financial assets as a supplemental means to improve utilization of the cash on hand on a short-term basis according to the internal treasury policies as disclosed in the Prospectus.

As of December 31, 2020, the aggregated outstanding principal amount of the Group's respective wealth management products and structured deposit products subscribed with CGB, CMB and SPDB was RMB690.0 million, RMB830.0 million, and RMB437.0 million, respectively, each of which exceeded 5% of the total assets of the Group as of December 31, 2020.

For details, please refer to the announcement of the Company dated March 29, 2021. Save as disclosed above, the Group had no significant investment during the Reporting Period.

For the year ended December 31, 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 construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 103.6% to RMB325.2 million for the year ended December 31, 2020 from RMB159.7 million for the year ended December 31, 2019, which was primarily attributable to the payment of land and architectural decoration costs of RMB127.5 million for the construction of Liaocheng Hygeia Hospital and the land costs of RMB60.2 million for Dezhou Hygeia Hospital for the year ended December 31, 2020.

Financial Position

Total Assets and Total Liabilities

As of December 31, 2020, the Group's total assets mainly consisted of cash and cash equivalents, financial assets at fair value through profit or loss, trade, other receivables and prepayments, fixed assets and intangible assets. The Group's total assets increased by 112.4% to RMB4,701.3 million as of December 31, 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 and the proceeds of RMB298.7 million from over-allotment on July 22, 2020, amounting to RMB2,323.0 million in total.

As of December 31, 2020, the Group's total liabilities mainly consisted of trade and other payables, current income tax liabilities, deferred income tax liabilities and deferred revenue. The Group's total liabilities decreased by 85.1% to RMB359.9 million as of December 31, 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 increased by 8.5% to RMB51.0 million as of December 31, 2020 from RMB47.0 million as of December 31, 2019, primarily due to the increase in the safety stock as a result of revenue growth.

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 its self-owned hospitals, hospital partners for its Radiotherapy Center Services and other licensees of its proprietary SRT equipment. The balance of the Group's trade receivables increased by 27.3% to RMB256.0 million as of December 31, 2020 from RMB201.1 million as of December 31, 2019, primarily due to the increase in balance of medical insurance receivables of RMB31.1 million as a result of the increase in revenue.

The Group's other receivables mainly represented deposits receivables. The Group's other receivables increased by 13.6% to RMB11.7 million as of December 31, 2020 from RMB10.3 million as of December 31, 2019.

The Group's prepayments for current assets mainly include prepayments to suppliers and prepayments for listing related expenses. The Group's prepayments for current assets decreased by 35.3% to RMB8.8 million as of December 31, 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 the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment decreased by 2.7% to RMB17.9 million as of December 31, 2020 from RMB18.4 million as of December 31, 2019.

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 0.7% to RMB382.9 million as of December 31, 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 0.3% to RMB118.5 million as of December 31, 2020 from RMB118.8 million as of December 31, 2019.

The Group's other payables primarily represented salaries payables, other taxes payables and construction projects payables. The Group's other payables decreased by 17.3% to RMB118.8 million as of December 31, 2020 from RMB143.7 million as of December 31, 2019, primarily due to the payment in 2020 of pre-Listing dividends of RMB41.9 million recorded in 2019.

Pledge of Assets

The Group had no pledged asset as of December 31, 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 increased by 16.2% to RMB11.5 million as of December 31, 2020 from RMB9.9 million as of December 31, 2019.

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 December 31, 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 increased by 495.0% to RMB214.2 million as of December 31, 2020 from RMB36.0 million as of December 31, 2019, mainly because there were capital commitments of RMB174.4 million in relation to the commencement of construction of Liaocheng Hygeia Hospital in the first half of 2020, but there were no such capital commitments in 2019.

Contingent Liabilities

As of December 31, 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, 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, financial assets at fair value through profit or loss, trade and other payables excluding non–financial liabilities, lease liabilities and amounts due to related parties.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report and the Prospectus of the Company, for the year ended December 31, 2020, the Group did not have any future plan for material investments and capital assets.

Borrowings and Gearing Ratio

The Group had no outstanding borrowings as of December 31, 2020.

Gearing ratio is calculated as net debt divided by total equity and multiplied by 100%. Net debt is calculated as total lease liabilities and loan from related parties payables less cash and cash equivalents. The gearing ratio of the Group is not applicable due to net cash position (namely, cash and cash equivalents exceeding total lease liabilities and loan from related parties payables) as of December 31, 2020.

Foreign Exchange Risk

The Group has no significant foreign currency risk as all of its operations, assets and liabilities 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 consolidated statement of financial position. Management of the Group has put 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.

FINAL DIVIDENDS

The Board recommended the payment of final dividend of RMB0.12 per Share (in aggregate amounted to approximately RMB74.2 million) for the year ended December 31, 2020 which is subject to the approval by the Shareholders at the AGM. The final dividend is expected to be payable to the Shareholders on or before July 26, 2021. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on July 7, 2021. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividend.

EVENTS AFTER THE REPORTING PERIOD

On January 25, 2021, the Company entered into a non-legally binding letter of intent with a potential vendor, pursuant to which the Company and/or its designated subsidiaries will conditionally acquire and the potential vendor will conditionally sell its 99% equity interest in a private for-profit Class III general hospital located in a prefecture-level city of the south China region. For further details, please refer to the announcement of the Company dated January 25, 2021.

On April 16, 2021, Gamma Star Tech, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Xiangshang Investment in relation to the proposed formation of the joint venture in relation to the for-profit reform of Kaiyuan Jiehua Hospital, pursuant to which the Gamma Star Tech and Xiangshang Investment agreed to make a capital contribution of RMB5,000,000 and RMB2,142,858, respectively, representing 70% and 30% of the total registered capital of the joint venture, respectively. Upon its formation, the joint venture will be held by Gamma Star Tech and Xiangshang Investment as to 70% and 30%, respectively, and will become a non-wholly-owned subsidiary of the Company and will be the legal entity to operate the for-profit hospital. For further details, please refer to the announcement of the Company dated April 16, 2021.

On April 25, 2021, the Company (as the purchaser) and Ascendent Healthcare (Cayman) Limited (as the vendor) entered into a share purchase agreement, pursuant to which the Company has conditionally agreed to purchase, and the vendor has conditionally agreed to sell, the entire equity interest in Etern Group Ltd.. In order to fund part of the consideration, on the same date, the Company (as the borrower) entered into a facility agreement with a bank (as the lender), which provides for a loan facility in an aggregate principal amount of up to USD152,000,000. For further details, please refer to the announcement of the Company dated April 25, 2021.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2020, the Group had 2,989 full-time employees, among which 52 were employees at the headquarters level and 2,937 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	12	0.4
Manufacturing	17	0.5
Administrative and others	18	0.6
Sub-total	**52**	**1.7**
Self-owned hospitals		
Physicians	726	24.3
Other medical professionals	1,452	48.6
Management, administrative and others	759	25.4
Sub-total	**2,937**	**98.3**
Total	**2,989**	**100.0**

In addition, as of December 31, 2020, the Group's Managed Hospitals in operation had an aggregate of 356 full-time employees, including 70 physicians, 141 other medical professionals and 145 management, administrative and other personnel.

The Group believes it has maintained good relationships with its employees. Employees of its 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.

Directors and Senior Management

DIRECTORS

Chairman of the Board and non-executive Director

Mr. Fang Min (方敏), aged 41, was appointed as the Director of the Company on June 3, 2019, re-designated as the non-executive Director on September 18, 2019 and was appointed as the chairman of the Board on January 20, 2020. He joined the Group in October 2015 and is primarily responsible for formulating the medium – and long-term development strategies and supervising the implementation of the decisions of the Board.

Mr. Fang has deep industry knowledge and insightful observations in the fast-growing healthcare market in China with more than 15 years of experience in private equity investment and financial management. He worked at Boston Consulting (Shanghai) Company Ltd. (波士頓諮詢上海有限公司) as a consultant between September 2001 and July 2005. In July 2011, he joined Beijing Warburg Pincus Investment Consulting Company Limited Shanghai Branch (北京華平投資諮詢有限公司上海分公司) as an investment manager and received appointment for his current position as a managing director in January 2016, primarily responsible for investment and management consulting. From March 2015 to August 2016, he also served as a director of China Biologic Products Holdings Inc (Stock Code: CBPO. NASDAQ). Since December 2018, he became a non-executive director of Jinxin Fertility Group Limited (Stock Code: 1951.HK). He has also served as chairman of the board of HTDK (Shanghai) Co., Ltd. (華瑭大昌商業（上海）有限公司) since January 8, 2019.

Mr. Fang obtained a bachelor's degree in economics with a major in international finance from Fudan University (復旦大學) in July 2001 and a master's degree in business administration from Stanford University in June 2007.

Except as disclosed above, Mr. Fang has not held directorship in any listed company in the three years immediately preceding the date of this report.

Vice chairman of the Board and non-executive Director

Mr. Zhu Yiwen (朱義文), aged 57, was appointed as the non-executive Director and vice chairman of the Company on March 30, 2021. Mr. Zhu is the father of Ms. Zhu, and father-in-law of Mr. Ren.

Mr. Zhu is an experienced physician with over 30 years of clinical experience. In September 1987, he started his career at The Affiliated Hospital of Xuzhou Medical University (徐州醫科大學附屬醫院), where he was trained to become a neurosurgeon and served as the director of the Gamma Knife Treatment Center (伽瑪刀中心) and the deputy director of the Neurosurgical Department (神經外科) and Medical Affairs Department (醫務科) from November 1998 to October 2004. He subsequently served as the director of the Tumor Radiotherapy Center (腫瘤放療中心) and the deputy director of the Army-wide Chest Tumor Center (全軍胸部腫瘤中心) of The 455th Hospital of Chinese People's Liberation Army (中國人民解放軍第四五五醫院) from October 2004 to December 2015. Mr. Zhu founded the Group in November 2009 and served as the general manager and a director of the Group until December 2019 and January 2020, respectively.

Mr. Zhu studied in clinical medicine at Xuzhou Medical University (徐州醫科大學, formerly known as Xuzhou Medical College (徐州醫學院)) and graduated in July 1987 with a bachelor's degree in medicine. He majored in neurosurgery and obtained his master's degree in clinical medicine from Nanjing Medical University (南京醫科大學, formerly known as Nanjing Medical College (南京醫學院)) in July 1992. In August 1999, Mr. Zhu was accredited as an associate-chief physician (副主任醫師) and an associate professor by the Personnel Department of Jiangsu Province (江蘇省人事廳). He became a member of Chinese Medical Association (中華醫學會) in April 2002 and the 9th Radiation Oncology Specialty Society (放射腫瘤治療專科學會) of Jiangsu Branch of the Chinese Medical Association (中華醫學會江蘇分會) in July 2002.

Mr. Zhu has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Executive Directors

Ms. Cheng Huanhuan (程歡歡), aged 37, was appointed as the Director of the Company on June 3, 2019 and was re-designated as the executive Director on September 18, 2019. Ms. Cheng has been with the Group for more than 10 years since it started its business in 2009, and was appointed as the chief executive officer of the Group on December 24, 2019, primarily responsible for implementing decisions of the Board, and overseeing the daily operation and management of the Group.

Ms. Cheng has accumulated rich experience in the daily management and operation of the Group, gained in-depth understanding in the industry where the Group operates, and built strong recognition of its corporate culture. Ms. Cheng started to work at Gamma Star Tech as the secretary to the chairman of the board of Gamma Star Tech in April 2008, mainly responsible for assisting the chairman with various board matters in relation to development strategies, operational goals and corporate governance. One year later in May 2009, Ms. Cheng served as the investment director of the Group and was in charge of the acquisitions of existing hospitals and establishment of new hospitals. In January 2015, she started to serve as the director of investment and strategic business of the Group. Ms. Cheng participated in the formulation of the development strategies of the Group and supervised the implementation of its strategic goals. She was also in charge of Chongqing Hygeia Hospital which recorded monthly net profit within four months after commencement of operations. Ms. Cheng was promoted to the vice president of the Group in January 2018 and was subsequently appointed as the chief executive officer of the Group in December 24, 2019.

Ms. Cheng majored in English at Sichuan International Studies University (四川外國語大學) (formerly known as Sichuan Foreign Language College (四川外語學院)) and obtained her bachelor's degree in literature in July 2005. In March 2008, she graduated from Shanghai International Studies University (上海外國語大學) with a master's degree in translation studies.

Ms. Cheng has not held directorship in any listed company in the three years immediately preceding the date of this report.

Mr. Ren Ai (任愛), aged 36, was appointed as the Director of the Company on September 12, 2018 and was re-designated as the executive Director on September 18, 2019. Mr. Ren is primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of the Group, assisting the chairman of the Board in supervising the implementation of the decisions of the Board, and responsible for the investment and financing, supply chain management and human resources of the Group. Mr. Ren is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu.

Mr. Ren has over 13 years of working experience starting his career at several multinational corporations. Prior to joining the Group, Mr. Ren worked at Haier Group Company (海爾集團公司) (Stock Code: 600690.SH) from August 2007 to April 2010. From April 2010 to February 2013, he served as a senior product manager in Alibaba Group Holding Limited (阿里巴巴集團控股有限公司) (Stock Code: BABA. NYSE). He subsequently served as a department manager in the emerging business division of American Express Company (Stock Code: AXP. NYSE) from February 2013 to November 2015, mainly responsible for post-investment management. He joined the Group in December 2015 and has been the assistant to the chairman of the Board since February 2016. Mr. Ren was appointed as the senior vice president of the Group in February 2020, primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of the Group. He is also in charge of the investment and financing, supply chain management and human resources of the Group.

Mr. Ren majored in industrial design and graduated from Tianjin University (天津大學) in June 2007 with a bachelor's degree in engineering. He obtained a master's degree in business administration in Shanghai Jiaotong University (上海交通大學) in June 2020.

Mr. Ren has not held directorship in any listed company in the three years immediately preceding the date of this report.

Mr. Zhang Wenshan (張文山), aged 39, was appointed as the executive Director of the Company on January 20, 2020 and has been the director of research & development and manufacturing of the Group since January 2014, primarily responsible for overseeing the research, development and manufacturing operations of the Group. Prior to joining the Group, in January 2007, Mr. Zhang joined Gamma Star Tech, responsible for manufacturing operations and after-sales services. Mr. Zhang was promoted as the director of research, development and manufacturing of the Group in January 2014 and has been the leader of the Group's research & development and manufacturing operations since then.

Mr. Zhang graduated from Huainan College of Technology (淮南職業技術學院) with a diploma in computer application and maintenance in July 2003. He majored in administrative management and obtained a bachelor's degree in administrative management from Wuhan University (武漢大學) in June 2013 through a self-taught education program.

Mr. Zhang has not held directorship in any listed company in the three years immediately preceding the date of this report.

Ms. Jiang Hui (姜蕙), aged 45, was appointed as the executive Director of the Company on December 23, 2020 and has been the director of the Group's radiotherapy division since January 2015, primarily responsible for overseeing the business operation of the Group's in-network radiotherapy centers.

Prior to joining the Group, she served at Sino-Maple (Shanghai) Co., Ltd. (北美楓情(上海)商貿有限公司) as the financial controller from January 2003 to July 2007. From August 2007 to August 2011, she was the financial manager of Shanghai Xusheng Automatic Technology Co., Ltd. (上海旭勝自動化技術有限公司). She joined the Group in September 2011 and was promoted as the director of the radiotherapy division in January 2015. Ms. Jiang obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in June 2007 through a self-taught program. She was accredited as a mid-level accountant in May 2011 by the Shanghai Bureau of Human Resources and Social Security (上海市人力資源和社會保障局).

Ms. Jiang has not held directorship in any listed company in the three years immediately preceding the date of this report.

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群), aged 64, was appointed as the independent non-executive Director of the Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Liu is a renowned medical expert in dermatology with nearly 40 years of experience in clinical practice and research. Starting from December 1982, he served at The Affiliated Hospital of Xuzhou Medical University (徐州醫科大學附屬醫院) for 30 years until August 2012, with his last position there being the president. He subsequently served as a member of the management of several professional associations, including, among others, Jiangsu Medical Association (江蘇省醫學會) where he served as the vice president and secretary general from August 2012 to August 2017, and Jiangsu Medical Doctor Association (江蘇省醫師協會) where he served as the vice president and secretary general since June 2016. Mr. Liu was accredited as a chief physician and a professor by the Human Resources and Social Security Department of Jiangsu (江蘇省人力資源和社會保障廳) in August 1998 and November 2003, respectively.

Mr. Liu's expertise in dermatology is highly recognized nationwide, evidenced by the numerous honors and awards he received, including, among others, the Special Government Allowances (政府特殊津貼) awarded to him by the State Council in December 2016 in recognition of his contribution to the nation's medical and healthcare services, and the Second Price in Natural Science (自然科學獎二等獎) awarded by the Ministry of Education of the PRC in January 2013 for his clinical research in genetic therapy for malignant tumor.

Mr. Liu obtained his bachelor's degree in medicine from Xuzhou Medical University (徐州醫科大學, formerly known as Xuzhou Medical College (徐州醫學院)) in December 1982. In July 1997, he obtained his master's degree in dermatology from Nanjing Medical University (南京醫科大學, formerly known as Nanjing Medical College (南京醫學院)).

Mr. Liu has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Mr. Chen Penghui, aged 49, was appointed as an independent non-executive Director of the Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Chen had more than 10 years of experience in the healthcare industry and investment. Prior to his career as a professional investor, he served as the president, chief operating officer and chief financial officer at ShangPharma Co., Ltd., a company once listed on the New York Stock Exchange and delisted in April 2013 after it was taken private by ShangPharma Parent Limited. From December 2011 to May 2014, he served as a managing director at China Everbright Holdings Co., Ltd. (中國光大集團股份公司). After that, he served as a partner at Sequoia Capital China (紅杉資本中國基金) from May 2014 to May 2017. He has been a partner at Biotrack Capital (博遠醫療基金) which he co-founded in June 2017. Mr. Chen has been or once served as a director of several listed companies, including Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. (江蘇魚躍醫療設備股份有限公司) (Stock Code: 002223.SZ) where he served as a director from April 2015 to November 2017, BGI Genomics Co., Ltd. (深圳華大基因股份有限公司) (Stock Code: 300676.SZ) where he has been a director since June 2015, and VCREDIT Holdings Limited (維信金科控股有限公司)(Stock Code: 2003.HK) where he has been a director since June 2018.

Mr. Chen obtained his bachelor's degree in chemistry from Nanjing University (南京大學) in July 1993 and his master's degree in medicinal chemistry from Tulane University in May 1998. He also received his master's degree in business administration from Kellogg School of Management, Northwestern University in June 2003.

Except as disclosed above, Mr. Chen has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Mr. Ye Changqing (葉長青), aged 50, was appointed as an independent non-executive Director of the Company on September 21, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Ye has over 25 years of experience in professional accounting, financial advisory and investment services. From April 1993 to January 2011, Mr. Ye worked at the China office of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所(特殊普通合夥)), with his last positions being service line leader of advisory services and leader of transaction services of Shanghai office. He subsequently worked at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司) from February 2011 to December 2015, and his last positions there were managing director, chief financial officer and member of the investment committee. Mr. Ye has also been an independent non-executive director of Baozun Inc. (Stock Code: BZUN. NASDAQ) since May 2016, Niu Technologies (Stock Code: NIU. NASDAQ) since October 2018, Luzhou Bank Co., Ltd. (瀘州銀行股份有限公司), formerly known as Luzhou City Commercial Bank (瀘州商業銀行) (Stock Code: 1983.HK) since December 2018, Jinxin Fertility Group Limited (Stock Code: 1951.HK) since June 2019 and Ascentage Pharma Group International (Stock Code: 6855.HK) since June 2019.

Mr. Ye obtained his bachelor's degree in journalism from Huazhong University of Science and Technology (華中科技大學, formerly known as Huazhong University of Science and Technology (華中理工大學)) in the PRC in July 1992. He obtained his master's degree in business administration from University of Warwick in the United Kingdom in November 1999. Mr. Ye is currently a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Except as disclosed above, Mr. Ye has not held directorship in any other listed company in the three years immediately preceding the date of this report.

SENIOR MANAGEMENT

Ms. Cheng Huanhuan (程歡歡) is an executive Director and the chief executive officer of the Company. See "– Directors – Executive Directors" for details of her biography.

Mr. Wang Jie (王傑), aged 47, was appointed as the chief financial officer of the Group on August 9, 2017 and is primarily responsible for overseeing the financial operation and risk management of the Group.

Mr. Wang has more than 20 years of experience in financial management. Prior to joining the Group, he had held various financial and accounting positions in both private and public companies. He joined East Hope Group (東方希望集團) in August 1997 and served as a financial manager until August 2003. Later, he worked at Shenzhen PARKnSHOP Superstore Co., Ltd. (深圳百佳超市有限公司) as the regional accounting manager of China from October 2006 to June 2009. From October 2009 to May 2012, he served as the chief financial officer of China Express Co., Ltd. (中經匯通有限責任公司). He subsequently served as the chief financial officer of PW Medtech Group Limited (普華和順集團公司) (Stock Code: 01358. HK) from May 2012 to August 2017.

Mr. Wang graduated from Sichuan College of Commerce (四川省商業高等專科學校) with a diploma in accounting in June 1994, and obtained a bachelor's degree in management from Zhongnan University of Economics and Law (中南財經政法大學) with a major in financial management in September 2009. He was accredited as a senior accountant (高級會計師) by the Guangdong Bureau of Human Resources and Social Security (廣東省人力資源和社會保障廳) in August 2009.

Mr. Wang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Mr. Ren Ai (任愛) is an executive Director and the senior vice president and assistant to the chairman of the Board. See "– Directors – Executive Directors" for details of his biography.

Mr. Zhang Wenshan (張文山) is an executive Director and the director of research & development and manufacturing of the Group. See "– Directors – Executive Directors" for details of his biography.

Ms. Jiang Hui (姜蕙) is an executive Director and the director of radiotherapy division of the Group. See "– Directors – Executive Directors" for details of her biography.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

On September 12, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on June 29, 2020.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the PRC in (i) operating private self-owned for-profit hospitals and providing a wide range of oncology healthcare services and other healthcare services; (ii) provision of radiotherapy center consulting services, licensing of proprietary SRT equipment and provision of maintenance and technical support services in relation to its proprietary SRT equipment; and (iii) managing and operating, and receiving management fees from, private not-for-profit hospitals in which it holds organizer's interest (舉辦人權益).

Analysis of the principal activities of the Group during the year ended December 31, 2020 is set out in the Note 5 to the consolidated financial statements in this annual report.

A list of the Company's principal subsidiaries as of December 31, 2020, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 36 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, an analysis of the Group's financial performance, events affecting the Group that have occurred subsequent to the end of the financial year, and an indication of likely future development in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this report. A description of the principal risks and uncertainties faced by the Group, key relationship between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's results of operations are subject to various factors with the key risks summarized below:

- Ongoing regulatory reforms in China are unpredictable. Changes in China's regulatory regime for the healthcare service industry, particularly changes in healthcare reform policies, could have a material adverse effect on the Group's business operations and future expansion;

- The Group's in-network hospitals derive a significant portion of revenue by providing healthcare services to patients with public medical insurance coverage; any delayed payment under China's public medical insurance programs could affect the Group's results of operations;

- Regulatory pricing controls may affect the pricing of the Group's in-network hospitals;

- The Group conducts its business in a heavily regulated industry and incur on-going compliance costs;

- The Group's in-network hospitals could become the subject of patient complaints, claims and legal proceedings in the course of their operations, which could result in costs and materially and adversely affect its brand image, reputation and results of operations;

- If the Group's Managed Hospitals and hospital partners decide to terminate or not to renew the cooperation arrangements, the Group's revenue and profitability may suffer;

- Any negative publicity about the Group, its in-network hospitals or the healthcare service industry could harm the brand image and reputation of the Group or its in-network hospitals and trust in the services provided by its in-network hospitals, which could result in a material and adverse impact on its business and prospects;

- The Group has recognized a large amount of goodwill. If its goodwill was determined to be impaired, it could adversely affect the results of operations and financial position of the Group.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For more details of other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" of the Prospectus.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is subject to various PRC laws, rules and regulations with regard to environmental matters, including hospital sanitation, disease control, disposal of medical waste, and discharge of wastewater, pollutants and radioactive substances. The Group has implemented internal policies and procedures concerning environmental protection and engaged qualified service providers to dispose of medical waste and radioactive substances. During the period from the Listing Date to December 31, 2020, the businesses of the Group were in compliance with all the relevant laws and regulations with regard to environmental protection in all material aspects.

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth.

For more details, please refer to the Environmental, Social and Governance Report, which will be published in April 2021 and available on the websites of the Stock Exchange and the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated financial statements of this report.

The Board recommended the payment of final dividend of RMB0.12 per Share (in aggregate amounted to approximately RMB74.2 million) for the year ended December 31, 2020 which is subject to the approval by the Shareholders at the AGM. The final dividend is expected to be payable to the Shareholders on or before July 26, 2021. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on July 7, 2021. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from June 23, 2021 to June 28, 2021, both days inclusive. During such period, no transfer of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on June 28, 2021 will be June 28, 2021. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on June 22, 2021.

The final dividend, if approved by the Shareholders at the Annual General Meeting, will be paid on or before July 26, 2021 to Shareholders whose name appear on the register of members of the Company on July 7, 2021.

To determine the identity of the Shareholders entitled to receive the final dividend, the transfer books and register of members of the Company will also be closed from July 5, 2021 to July 7, 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to the payment of final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on July 2, 2021.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group actively communicates with stakeholders such as patients/customers, employees, investors and shareholders, governments and regulatory agencies, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, and regards them as an important basis for the Group to improve operations management and sustainable development standards. To fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes.

We are fully aware that communication with stakeholders is an important and continuous process. In the future, we will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been and will be done through general meetings, corporate communications, interim and annual reports and results announcements.

Staff

The Group understands that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. The Group has been working hard to provide employees with competitive remuneration packages and attractive promotion opportunities. Through the Hygeia College, it provides employees with professional knowledge and management skills training, laying a foundation for the Group to cultivate compound professionals. The Group will continue to attract, train, and retain more talents, and improve the overall level of the Group's talent team through performance-related remuneration packages and equity incentive plans, on-the-job training programs and promotion opportunities.

Patients and Customers

The Group consider patients satisfaction as the top priority. As a patient-oriented healthcare services provider, the Group is committed to serving our patients to the best of our ability and continually enhancing the level of service excellence. The Group has embraced new media platforms as an effective communication channel with our patients to collect feedbacks and help us identify areas for further improvement.

The Group's primary customers also include third-party hospital partners for the Radiotherapy Center, other licensees of the proprietary SRT equipment of the Group and the Managed Hospitals of the Group. The Group provide the customers the advanced technologies and facilities to best satisfy the needs of the customers. Meanwhile, the Group value feedback from customers and always seek to understand their thoughts through services feedback and customer satisfaction surveys.

Suppliers

The Group believes that its suppliers are equally important in providing high-quality medical services. The Group has adopted a centralized procurement management team to achieve economies of scale and better control the quality of the pharmaceuticals and medical consumables it procures. The Group selects its suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of its supplies. When selecting suppliers, it considers, among other things, their product offerings, pricing, reputation, service or product quality and delivery schedule. The suppliers are required to possess all licenses and permits necessary to conduct their operations, including GMP and/or GSP certifications.

For the year ended December 31, 2020, there was no significant and material dispute between the Group and its stakeholders.

FINANCIAL SUMMARY

A summary of the Group's financial results, assets and liabilities for the last four financial years are set out on page 4 of this report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company issued 120,000,000 Shares 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 the full exercise of the over-allotment option. The market price of the Shares as of July 19, 2020, the date of the full exercise of the over-allotment option, was HK$29.80 per Share. The nominal value of the Shares is US$0.00001 per Share.

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 net price to the Company (which was calculated by dividing the net proceeds by the number of shares issued in connection with the initial public offering of shares of the Company) was approximately HK$17.3 per share. The following table sets out the intended use of the net proceeds, actual usage up to December 31, 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	148.2	1,286.9	June 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	June 2024
Upgrading information technology systems	5%	119.6	3.7	115.9	June 2024
Working capital and other general corporate purposes	5%	119.6	119.6	–	N/A
Total	**100%**	**2,391.9**	**271.5**	**2,120.4**	

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.

During the period from the Listing Date to December 31, 2020, the Group has utilized net proceeds of HK$271.5 million from the global offering. The remaining net proceeds were allocated and used in accordance with the intends as set out in the Prospectus as of December 31, 2020. The Group will gradually utilize the proceeds from the global offering in accordance with the intended purposes.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2020, the Group's sales to its five largest customers accounted for 4.1% (2019: 7.9%) of the Group's total revenue, and the Group's sales to its single largest customer accounted for 1.5% (2019: 3.4%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2020, the Group's purchases from its five largest suppliers accounted for 33.9% (2019: 34.0%) of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 10.7% (2019: 10.2%) of the Group's total purchases.

As of the date of this report, all of the Group's five largest customers and suppliers during the Reporting Period were Independent Third Parties, and to the best of the knowledge of the Directors, none of the Directors, their respective associates or any Shareholder who owned more than 5% of the Company's issued share capital had any interest in any of the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group in 2020 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2020 are set out in note 21 to the consolidated financial statements.

RESERVES

Details of the changes in the Group's reserves for the year ended December 31, 2020 are set out in note 22 to the consolidated financial statements. Details of the changes in the Company's reserves for the year ended December 31, 2020 are set out in Note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2020, the Company's reserves available for distribution were approximately RMB6,904.1 million.

TAXATION

Tax position of the Company from the Listing Date to December 31, 2020 is set out in note 11 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax concession and exemption granted to Shareholders by virtue of their holding of securities in the Company.

If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

BANK AND OTHER BORROWINGS

As of December 31, 2020, the Group had no bank and other borrowings.

DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this report are:

Executive Directors

Ms. Cheng Huanhuan
Mr. Ren Ai
Mr. Zhang Wenshan
Ms. Jiang Hui *(Appointed on December 23, 2020)*

Non-Executive Directors

Mr. Fang Min *(Chairman)*
Mr. Cao Yanling *(Resigned on March 30, 2021)*
Mr. Zhao Yan *(Resigned on December 23, 2020)*
Mr. Zhu Yiwen *(Vice Chairman) (Appointed on March 30, 2021)*

Independent Non-executive Directors

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

In accordance with article 113 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting.

Details of the Directors to be re-elected at the AGM will be set out in the circular to the Shareholders to be despatched in due course.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this report.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Directors has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for an initial term of three years commencing from their respective date of appointment or until the third annual general meeting of the Company since their respective date of appointment, which may be terminated by not less than one month's notice in writing served by either the respective Director or the Company.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Associations and the applicable Listing Rules.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

REMUNERATION POLICY

As of December 31, 2020, the Group had 2,989 employees (December 31, 2019: 2,595 employees). Total staff remuneration expenses including Directors' remuneration in 2020 amounted to RMB407.8 million (fiscal year of 2019: RMB347.2 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

For details of the Directors and the five highest paid individuals during the Reporting Period, please refer to Notes 9 and 38 of the consolidated financial statements. For details of the remuneration of the senior management of the Group during the Reporting Period, please refer to the section headed "Corporate Governance Report" in this report.

RETIREMENT AND EMPLOYEE BENEFIT PLANS

Details of the Company's retirement and employee benefit plans are set out in Note 9 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent from the Listing Date to December 31, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2020, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party from the Listing Date to December 31, 2020.

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 December 31, 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	280,260,415 (L)	45.35%
Ms. Cheng Huanhuan	Beneficial interest	49,621 (L)	0.01%
Mr. Zhang Wenshan	Beneficial interest	62,027 (L)	0.01%
Ms. Jiang Hui	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 the Group.

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

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

(4) Hygeia Hospital Management holds 30% equity interest in each of the VIE 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 the 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 December 31, 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 December 31, 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.

CHANGES TO THE INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

(1) Mr. Zhao Yan has resigned as a non-executive Director of the Company with effect from December 23, 2020 in order to devote more time to focus on his other business commitments;

(2) Ms. Jiang Hui has been appointed as an executive Director of the Company with effect from December 23, 2020.

(3) Mr. Cao Yanling has resigned as a non-executive Director of the Company with effect from March 30, 2021 in order to devote more time to focus on his other business commitments; and

(4) Mr. Zhu Yiwen has been appointed as a non-executive Director and vice Chairman of the Company with effect from March 30, 2021.

Save as disclosed in this annual report, there was no change to information which is required to be disclosed and has been disclosed by Directors or chief executive of the Company pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the Reporting Period.

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

As of December 31, 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 (7)	Approximate percentage of shareholding in the Company
Mr. Zhu (1)(3)	Interest in a controlled corporation/ Interest of concert parties	280,260,415 (L)	45.35%
Century River Investment (1)(3)	Interest in a controlled corporation/ Interest of concert parties	280,260,415 (L)	45.35%
Century River (1)(3)	Beneficial interest/Interest of concert parties	280,260,415 (L)	45.35%
Ms. Zhu (2)(3)(4)	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	280,260,415 (L)	45.35%
Red Palm Investment (2)(3)	Interest in a controlled corporation/ Interest of concert parties	280,260,415 (L)	45.35%
Amber Tree (2)(3)	Beneficial interest/Interest of concert parties	280,260,415 (L)	45.35%
Red Palm (2)(3)	Beneficial interest/Interest of concert parties	280,260,415 (L)	45.35%
Fountain Grass Investment Ltd (5)	Beneficial interest	82,756,038 (L)	13.39%
Harmony Healthcare Investment Holdings Limited (6)	Beneficial interest	37,216,679 (L)	6.02%

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 100% held by Ruby Gem Holdings Limited, which in turn 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) the letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, as of December 31, 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 (the "**Pre-IPO Share Award Scheme**") on July 17, 2019 to reward the participants Shares pursuant to the applicable awarded share subscription Agreement (the "**Awarded Share**") or awards of restricted shares unit (the "**RSU**"), in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire Shares of the Company.

All of the Shares under the Pre-IPO Share Award Scheme including 16,440 Awarded Shares (which was subdivided into 164,400 Shares after a share subdivision on September 18, 2019) and RSUs in respect of 6,578 Shares (which was subdivided into 65,780 Shares after a share subdivision on September 18, 2019) had been issued or granted to one Director, one senior management member and one employee or consultant, prior to the Listing Date. 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 "D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme" of Appendix IV of the Prospectus of the Company.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the Prospectus and this report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

CONNECTED TRANSACTIONS

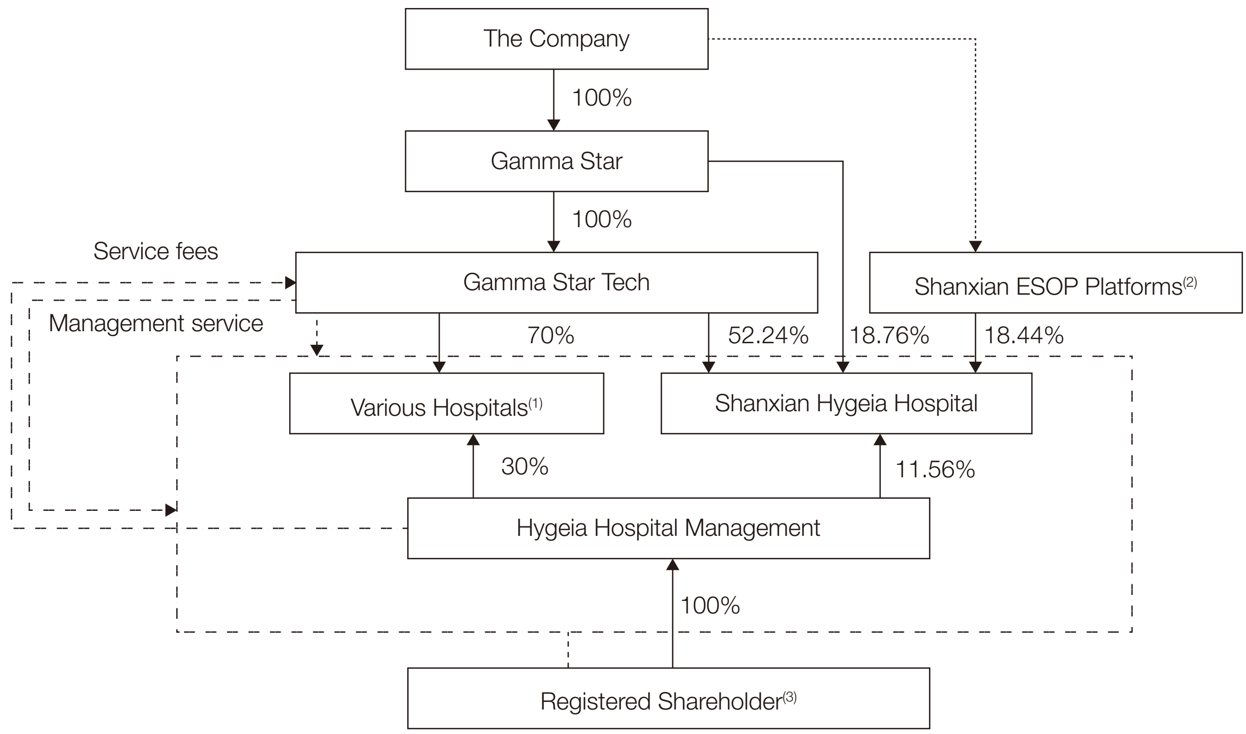
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions conducted by the Group during the Reporting Period.

Contractual Arrangements

The Group primarily engages in the hospital business, third-party radiotherapy business and hospital management business. According to the applicable Foreign Investment Catalogue, medical institutions fall within the "restricted" investment category, and therefore may not be held 100.00% by foreign investors, and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. Furthermore, the competent authorities for foreign investment administration where the Group operates its hospitals is of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70.00% equity interest in each of the Group's hospitals in the PRC (the "**Foreign Ownership Restriction**"). As such, the Group currently holds 70.00% equity interest in each of the VIE Hospitals. Hygeia Hospital Management, a company wholly-owned by Xiangshang Investment (the "**Registered Shareholder**") which is in turn owned by Mr. Zhu and Ms. Zhu, holds the remaining 30.00% equity interest in the VIE Hospitals (other than Shanxian Hygeia Hospital in which Hygeia Hospital Management holds approximately 11.56% and the remaining 18.44% equity interest was held by three entities established as incentives to the employees of Shanxian Hygeia Hospital, namely HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian as to approximately 9.84%, 4.41% and 4.19%, respectively).

In light of the Foreign Ownership Restriction and in order to control Hygeia Hospital Management to prevent leakages of equity and values to the minority shareholder of the Group's VIE Hospitals and to obtain the maximum economic benefits of these hospitals, on April 8, June 20 and December 18, 2019, and July 22, 2020, the Group entered into the Contractual Arrangements with its VIE Hospitals, Hygeia Hospital Management, Gamma Star Tech and Xiangshang Investment. Under the Contractual Arrangements, Gamma Star Tech has acquired effective control over the financial and operational policies of the VIE Hospitals and the Group has become entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from the VIE Hospitals to the Group under the Contractual Arrangements:



Direct legal and beneficial ownership in the equity interest

Contractual relationships under the Contractual Arrangements

Controlled and consolidated as structured entities prior to the Listing

Equity interests controlled by the Group under the Contractual Arrangements

Notes:

(1) Various Hospitals include Heze Hygeia Hospital, Suzhou Canglang Hospital (which is held by Gamma Star Tech through its wholly-owned subsidiary, Suchen Medical Investment), Chongqing Hygeia Hospital, Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Longyan Boai Hospital (which is wholly-owned by Chongqing Hygeia Hospital), Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital.

(2) The 18.44% equity interest held by Shanxian ESOP Platforms consists of 9.84% equity interest held by HDZ Healthcare, 4.41% held by Jixiang Kangda and 4.19% by Haiyue Kangjian. Shanxian ESOP Platforms were established for implementing the restricted share scheme of Shanxian Hygeia Hospital and were held by employees participating in the scheme. As (i) the restricted share scheme of Shanxian Hygeia Hospital is designed for the benefit of the Group and the Group has discretion in determining the participating employees, and (ii) the grantees are only entitled to all the economic benefits of Shanxian ESOP Platforms after a restricted period which ends upon the Listing, Shanxian ESOP Platforms were consolidated by the Company when preparing the consolidated financial statements. After the Listing, the Group will not consolidate the Shanxian ESOP Platforms.

(3) The Registered Shareholder of Hygeia Hospital Management is Xiangshang Investment which is held by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively.

Summary of the Material Terms of the Contractual Arrangements

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" of the Prospectus.

(1) Exclusive Operation Services Agreements

Hygeia Hospital Management, the Registered Shareholder and Gamma Star Tech collectively entered into an exclusive operation services agreement with the VIE Hospitals (other than Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital), Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital on April 8, June 20 and December 18, 2019, and July 22, 2020 respectively (collectively the "**Exclusive Operation Services Agreements**"), pursuant to which Hygeia Hospital Management, the Registered Shareholder and the VIE Hospitals agreed to engage Gamma Star Tech as their exclusive service provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreements, the services to be provided include but are not limited to (i) business, financing and investment, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategy formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions and shareholder's rights and investment management. Gamma Star Tech has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreements, Gamma Star Tech may use the intellectual property rights owned by Hygeia Hospital Management and the VIE Hospitals free of charge and without any conditions. Hygeia Hospital Management and the VIE Hospitals may also use the intellectual property work created by Gamma Star Tech from the services performed by Gamma Star Tech in accordance with the Exclusive Operation Service Agreements.

Under the Exclusive Operation Services Agreements, the service fee shall be an amount equal to the annual distributable profits of Hygeia Hospital Management, consisting of approximately 11.56% of the distributable net profit of Shanxian Hygeia Hospital and 30% of the distributable net profit of the other VIE Hospitals of a given audited financial year, after deducting the losses from the previous financial years (if any) and the statutory contributions (if applicable) subject to the applicable PRC laws and regulations. Apart from the service fees, Hygeia Hospital Management and the VIE Hospitals shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Gamma Star Tech in connection with the performance of the Exclusive Operation Services Agreements and provision of services thereunder.

The Exclusive Operation Services Agreements became effective from signing, and shall remain valid for three years. Subject to compliance with the Listing Rules, the Exclusive Operation Services Agreements shall be automatically renewed for a term of three years upon its expiration, unless terminated in accordance with the terms therein.

(2) Exclusive Option Agreements

On each of April 8, June 20 and December 18, 2019, and July 22, 2020, Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management entered into an exclusive option agreement, and on the same dates, Gamma Star Tech and Hygeia Hospital Management collectively entered into an exclusive option agreement with the VIE Hospitals (other than Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital), Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital, respectively (all of these exclusive option agreements are collectively referred to as the "**Exclusive Option Agreements**").

Pursuant to the Exclusive Option Agreements, (i) the Registered Shareholder irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Hygeia Hospital Management itself or through its designated person(s), (ii) Hygeia Hospital Management irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Hygeia Hospital Management itself or through its designated person(s), (iii) Hygeia Hospital Management irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the VIE Hospitals (other than Longyan Boai Hospital) from Hygeia Hospital Management itself or through its designated person(s), (iv) Chongqing Hygeia Hospital irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of its equity interest in Longyan Boai Hospital itself or through its designated person(s) and (v) the VIE Hospitals irrevocably and unconditionally grant an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the VIE Hospitals (other than Longyan Boai Hospital) attributable to Hygeia Hospital Management and all or part of the assets of Longyan Boai Hospital attributable to Chongqing Hygeia Hospital itself or through its designated person(s). The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC laws. Each of Hygeia Hospital Management and the VIE Hospitals undertake that it will, subject to applicable PRC laws, return in full any amount of the transfer price received to Gamma Star Tech or its designated person(s).

The Exclusive Option Agreements became effective from signing and have an indefinite term unless terminated in accordance with the terms therein.

(3) Entrustment Agreements and Powers of Attorney

On each of April 8, June 20 and December 18, 2019, and July 22, 2020, Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management entered into a shareholders' rights entrustment agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management collectively entered into a shareholders' rights entrustment agreement with the VIE Hospitals (other than Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital), Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital, respectively (all of these shareholders' rights entrustment agreements are collectively referred to as the "**Entrustment Agreements**") and the powers of attorney (collectively the "**Powers of Attorney**") were executed by the each of Registered Shareholder, Hygeia Hospital Management and Chongqing Hygeia Hospital on April 8, 2019, and by each of the Registered Shareholder and Hygeia Hospital Management on each of June 20 and December 18, 2019, and July 22, 2020, all in favor of Gamma Star Tech (the "**Attorney**").

Pursuant to the Entrustment Agreements and the Powers of Attorney, (i) the Registered Shareholder irrevocably authorizes the Attorney to exercise all of its rights and powers as a shareholder of Hygeia Hospital Management, (ii) Hygeia Hospital Management irrevocably authorizes the Attorney to exercise all of its rights and powers as a shareholder of the VIE Hospitals (other than Longyan Boai Hospital), and (iii) Chongqing Hygeia Hospital irrevocably authorizes the Attorney to exercise all of its rights and powers as a shareholder of Longyan Boai Hospital.

As Gamma Star Tech is an indirect wholly-owned subsidiary of the Company, the terms of the Entrustment Agreements and the Powers of Attorney give the Company full control over all corporate decisions made by such Attorney and exercise management control over Hygeia Hospital Management and the VIE Hospitals.

The Entrustment Agreements and Powers of Attorney became effective from signing and have an indefinite term unless terminated in accordance with the terms therein.

(4) Equity Pledge Agreements

On each of April 8, June 20 and December 18, 2019, and July 22, 2020, Gamma Star Tech, Hygeia Hospital Management and the Registered Shareholder entered into an equity pledge agreement, and on the same dates, Gamma Star Tech and Hygeia Hospital Management collectively entered into an equity pledge agreement with the VIE Hospitals (other than Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital), Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital, respectively, and on April 8, 2019, Gamma Star Tech, Chongqing Hygeia Hospital and Longyan Boai Hospital entered into an equity pledge agreement (all of these equity pledge agreements are collectively referred to as the "**Equity Pledge Agreements**"), pursuant to which (i) the Registered Shareholder agrees to pledge all of its equity interest in Hygeia Hospital Management, (ii) Hygeia Hospital Management agrees to pledge all of its equity interests in the VIE Hospitals (except for Longyan Boai Hospital), and (iii) Chongqing Hygeia Hospital agrees to pledge all of its equity interest in Longyan Boai Hospital, in favor of Gamma Star Tech to secure performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

(5) Spousal Undertakings

The spouses of the each of the shareholders of the Registered Shareholder (namely, Mr. Zhu and Ms. Zhu) has signed an undertaking (the "**Spousal Undertakings**") to the effect that (i) the respective interests of Mr. Zhu and Ms. Zhu in the Registered Shareholder (together with any other interests therein) do not fall within the scope of joint possession, (ii) the respective interests of the Registered Shareholder in Hygeia Hospital Management (together with any other interests therein) do not fall within the scope of joint possession, (iii) the respective interests of Hygeia Hospital Management in the VIE Hospitals (as to Longyan Boai Hospital, the interest held through Chongqing Hygeia Hospital) (together with any other interests therein) do not fall within the scope of joint possession, and (iv) each of the spouses will not have any claim on such interests.

Business Activities and Financial Contribution of the VIE Hospitals

The VIE Hospitals are principally engaged in providing healthcare services. The Group owns 70% equity interest in each of the VIE Hospitals and as a result of the Contractual Arrangements, the Group has obtained control of the remaining equity interest of the VIE Hospitals through Gamma Star Tech. As such, the Company is entitled to receive substantially all of the economic interest returns generated by the VIE Hospitals. The following table sets forth the revenue and assets of the VIE Hospitals subject to the Contractual Arrangements during the Reporting Period:

	For the year ended December 31, 2020		As of December 31, 2020	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
VIE Hospitals	1,243,225	88.7	1,995,708	42.5

Governing Framework

On March 15, 2019, the National People's Congress (the "**NPC**") adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**") at the closing meeting of the second session of the 13th NPC. The FIL took effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《外資企業法》), became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council promulgated Regulation on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulation**"), which came into effect on January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the Company in the form of the Contractual Arrangements, to establish control of the VIE Hospitals, through which the Group operates its business in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concepts including "actual control" and "control over our PRC Operating Hospitals by PRC entities/citizens", nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by the PRC Legal Advisers, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of the Company's Contractual Arrangements.

Furthermore, the FIL stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Although the FIL Implementing Regulation does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the VIE Hospitals will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of the Shares.

Risks in relation to the Arrangements and Actions Taken to Reduce Risks

There are the certain risks that are associated with the Contractual Arrangements, including:

(i) If the PRC government deems that the Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish the interests received through the Contractual Arrangements;

(ii) The Contractual Arrangements may result in adverse tax consequences to the Group;

(iii) The shareholder of Hygeia Hospital Management may have potential conflicts of interest with the Group, which may materially and adversely affect its business and financial condition;

(iv) Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Hygeia Hospital Management and Xiangshang Investment may fail to perform their obligations under our Contractual Arrangements;

(v) The Group may lose control over Hygeia Hospital Management and may not enjoy full economic benefits of the VIE Hospitals if Hygeia Hospital Management declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;

(vi) If the Group exercises the option to acquire equity ownership of Hygeia Hospital Management, the ownership transfer may subject the Group to certain limitations and substantial costs.

For details, please refer to the section headed "Risk Factors – Risks Relating to the Contractual Arrangements" of the Prospectus.

The Group has adopted the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements:

(i) Major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) The Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) The Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors; and

(iv) The Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Gamma Star Tech, Hygeia Hospital Management and the VIE Hospitals to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, the Company believes that its Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

(i) The decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among others, that in the event of conflict of interest in any contract or transaction calling for vote, the Director who is so interested shall declare the nature of his or her interest at the earliest time before or at meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) Each of the Directors is aware of his or her fiduciary duties as a Director which requires, among others, that he or she acts for the benefits and in the best interests of the Group;

(iii) The Company will appoint three independent non-executive Directors, comprising one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

(iv) The Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Listing Rules Implications and Waivers from the Stock Exchange

Xiangshang Investment is a company owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively, and hence an associate of Mr. Zhu and Ms. Zhu.

Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as a party to the Contractual Arrangements, namely Xiangshang Investment, is connected person of the Company.

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement for setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject however to the following conditions:

(i) No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors;

(ii) No change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders' approval;

(iii) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by Hygeia Hospital Management and the VIE Hospitals;

(iv) On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, Hygeia Hospital Management, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(v) The Group will disclose details relating to the Contractual Arrangements on an on-going basis.

Annual Review by the Independent Non-executive Directors and the Auditors

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

(i) The transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) No dividends or other distributions have been made by Hygeia Hospital Management to the holder of its equity interest which are not otherwise subsequently assigned or transferred to the Group;

(iii) No dividends or other distributions have been made by the VIE Hospitals to Hygeia Hospital Management which are not otherwise subsequently assigned or transferred to the Group; and

(iv) Any new contracts entered into, renewed or reproduced between the Group and Hygeia Hospital Management during the relevant financial period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The auditor of the Group has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements from the Listing Date to December 31, 2020 and has provided a letter to the Board with a copy to the Stock Exchange confirming that

(i) The transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements;

(ii) No dividends or other distributions have been made by Hygeia Hospital Management to the holder of its equity interest which are not otherwise subsequently assigned to the Group; and

(iii) No dividends or other distributions have been made by the VIE Hospitals to Hygeia Hospital Management which are not otherwise subsequently assigned or transferred to the Group.

Hygeia Hospital Management has undertaken that, for so long as the Shares are listed on the Stock Exchange, Hygeia Hospital Management will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

Material Changes

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the VIE Hospitals during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2020, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Hospitals under the Contractual Arrangements.

Hospital Management and Cooperation Agreements

The Group manages and operates, and receives management fees from its Managed Hospitals. It also provides Radiotherapy Center Services to these hospitals pursuant to the cooperation agreements it entered into with them.

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Hospital Management Agreements

Pursuant to the hospital management agreements entered into by Gamma Star Tech with Handan Renhe Hospital, Kaiyuan Jiehua Hospital, and Handan Zhaotian Hospital on July 31, 2011, November 30, 2012 and April 30, 2015, respectively (collectively, the "**Hospital Management Agreements**"), the Group is entitled to receive management service fees calculated as a fixed percentage of the revenue of the Managed Hospitals in return for the daily hospital operation management services provided and to be provided by the Group. The management fee rates are determined based on arm's length negotiations between the Managed Hospitals and the Group after taking into consideration of the scope of services provided by the Group to the Managed Hospitals, with reference to common market practice in the PRC healthcare service industry. The term of the Hospital Management Agreements is for a period of 40 years from the respective signing date.

Cooperation Agreements with Managed Hospitals

Gamma Star Tech also entered into cooperation agreements with each of the Managed Hospitals (collectively, the "**Cooperation Agreements with Managed Hospitals**", or "**Cooperation Agreements**", together with the Hospital Management Agreements, the "**Hospital Management and Cooperation Agreements**") to provide Radiotherapy Center Services to the Managed Hospitals in exchange for service fees. In formulating the service fees, the Group generally takes into consideration of various factors including (i) the value of its proprietary SRT equipment; (ii) the frequency of use of its proprietary SRT equipment, including the number of sessions for a typical course of treatment using its proprietary SRT equipment and the amount of time spent for each session; (iii) the rate of decay of cobalt-60 source; and (iv) the prevailing market prices for similar services. The Group charges its hospital partners service fees which are generally calculated as a percentage, normally on a declining scale over the term of the agreements, of revenue generated directly from use of its proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant Cooperation Agreements. Each of the Cooperation Agreements with Managed Hospitals has a term of 10 years commencing from the date of the commencement of operation of respective radiotherapy center. The following table sets forth the term of cooperation between the Group and the Managed Hospitals under the Cooperation Agreements with Managed Hospitals.

	Name of Managed Hospital	Term of cooperation with the Group
1.	Handan Renhe Hospital	June 2012 – June 2022
2.	Kaiyuan Jiehua Hospital	December 2014 – December 2024
3.	Handan Zhaotian Hospital	February 2017 – November 2018[1]

Note:

(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.

Reasons for the Transactions

Hospital Management Agreements

The Group manages and operates, and receives management fees, from the Managed Hospitals. Unlike for-profit hospitals, not-for-profit hospitals are not entitled under PRC laws, rules and regulations, to the right of dividends or the profits, cash flow or residue assets upon liquidation. However, it has been an industry norm to obtain economic benefits by providing management services and charging management service fees for not-for-profit hospitals in China. The Directors believe that it is in the Group's interest and in line with the market practice to enter into the Hospital Management Agreements.

Cooperation Agreements with Managed Hospitals

Historically, the Group has been providing Radiotherapy Center Services to the Managed Hospitals. The Directors believe that provision of both management services and Radiotherapy Center Services to the Managed Hospitals generate more synergies and is in the Group's interest and in line with its business development strategies.

Annual Caps and Historical Amounts during the Reporting Period

Pursuant to the revision of annual caps for the Hospital Management and Cooperation Agreements in the announcement of the Company dated December 23, 2020, the maximum total amount of fees receivable by Gamma Star Tech from the Managed Hospitals under the Hospital Management and Cooperation Agreements for each of the three years ending December 31, 2020, 2021 and 2022 should not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2020	2021	2022
	(RMB in millions)		
Total amount of fees receivable under the Hospital Management Agreement	9.8	15.1	16.8
Total amount of fees receivable under the Cooperation Agreement	30.2	35.5	36.9
Total amount of fees receivable	40.0	50.6	53.7

During the year ended December 31, 2020, the total amount of fees receivable under the Hospital Management Agreement amounted to RMB7.7 million, and the total amount of fees receivable under the Cooperation Agreement amounted to RMB27.0 million, which fall within the proposed annual cap as set out above.

Listing Rules Implications

Handan Renhe Hospital is a private not-for-profit hospital in which Xiangshang Investment (owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively) holds 30% organizer's interest (舉辦人權益), and hence an associate of Mr. Zhu and Ms. Zhu.

Kaiyuan Jiehua Hospital is a private not-for-profit hospital in which Xiangshang Investment (owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively) holds 30% organizer's interest, and hence an associate of Mr. Zhu and Ms. Zhu.

Handan Zhaotian Hospital is a private not-for-profit hospital in which Xiangshang Investment (owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively) holds 30% organizer's interest, and hence an associate of Mr. Zhu and Ms. Zhu.

Therefore, the transactions contemplated under the Hospital Management Agreements and Cooperation Agreements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as the three parties thereto are connected persons of the Company.

As the Hospital Management Agreements and Cooperation Agreements with Managed Hospitals were entered into by the Group with the Managed Hospitals in respect of the management and operation of the Managed Hospitals, such continuing connected transactions thereunder have been aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of these transactions is expected to, on an annual basis, exceed 0.1% but less than 5%, and they are on normal commercial terms or better, the transactions will be subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual Review by the Directors and Auditors

The Company has confirmed that the execution and enforcement of the Hospital Management and Cooperation Agreements under the continuing connected transactions set out above conducted by the Group during the Reporting Period has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Company; and

(iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions and the auditors have reported the factual findings on these procedures to the Board.

The auditors of the Company had informed the Board and confirmed that with respect to the above-mentioned continuing connected transactions, they did not:

(i) notice anything that would lead them to believe that the above-mentioned continuing connected transactions had not been approved by the Board of the Company;

(ii) notice anything that would lead them to believe that the above-mentioned continuing connected transactions were not conducted in accordance with the Group's pricing policy in all material aspects;

(iii) notice anything that would lead them to believe that the above-mentioned continuing connected transactions were not conducted in accordance with the relevant transaction agreement in all material aspects; and

(iv) notice anything that would lead them to believe that the above-mentioned continuing connected transactions exceeded the cap set by the Company.

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2020, there is no other related party transaction or continuing related party transaction set out in Note 33 to the consolidated financial statements which constitutes connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the Group's Controlling Shareholders have executed the deed of non-competition (the "**Deed of Non-competition**") in favor of the Company on June 8, 2020. Pursuant to the Deed of Non-competition, the Controlling Shareholders and/or their respective close associates (other than members of the Group) have confirmed that as of the date of the Deed of Non-competition, neither of the Controlling Shareholders or their respective close associates (other than members of the Group) had, in any form, engaged in, assisted or supported any third party in the operation of, participated, or had any interest in, any business that, directly or indirectly, competes or will compete or may compete with the business carried on or contemplated to be carried on by any member of the Group from time to time, namely hospital business, third-party radiotherapy business and hospital management business.

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this report during the year ended December 31, 2020. No new business opportunity was informed by them as of December 31, 2020.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2020.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

On April 25, 2021, the Company (as the borrower) entered into a facility agreement (the "**Facility Agreement**") with a bank (as the lender), which provides for a loan facility in an aggregate principal amount of up to USD152,000,000. The drawdown period shall be from the date of signing of the Facility Agreement to March 31, 2022. The maturity date shall be April 25, 2022 for 1.3% of the principal drawdown amount, April 25, 2023 for 6.6% of the principal drawdown amount and April 25, 2024 for 92.1% of the principal drawdown amount. Interest shall be accrued on the outstanding drawdown amount from the drawdown date to the repayment date at the three-month London Interbank Offered Rate plus 112 basis points.

Under the Facility Agreement, the following specific performance obligations are imposed on the Controlling Shareholders:

(1) Mr. Zhu, Ms. Zhu and parties acting in concert with them shall collectively remain interested in an aggregate of not less than 30% of the voting power of the Company;

(2) there shall be no material litigation and arbitration proceedings, or administrative and criminal investigations involving, or coercive measures such as seizure, freezing or preservation of material assets, administrative penalties in an amount exceeding RMB10,000,000, or criminal sanctions imposed on the Controlling Shareholder, or any other events that would impact their ability to perform duties with respect to the Company; and

(3) there shall be no change of Controlling Shareholders of the Company that would affect the Company's ability of repayment under the Facility Agreement.

Any breach of the above specific performance obligations will constitute an event of default under the Facility Agreement whereupon, and the lender shall have the power to take actions including without limitation ceasing the release of unreleased loan proceeds, requesting additional collaterals or guarantees, and/or declaring all outstanding amounts together with interest accrued and all other sums payable by the Company to be immediately due and payable. As of the date of the Facility Agreement, the Controlling Shareholders are deemed to be interested in approximately 45.35% of the issued share capital of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Announcement regarding the entering into of the Facility Agreement was published on April 25, 2021 pursuant to Rule 13.18 of the Listing Rules. Save as disclosed above, as of the date of this report, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

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

During the period from the Listing Date to December 31, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of the Prospectus, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended December 31, 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period from the Listing Date to December 31, 2020.

DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB0.2 million for the year ended December 31, 2020.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

In accordance with Article 192 of the Articles of Associations, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has maintained directors' liability insurance to protect the Directors of the Company against any potential losses arising from his/her actual or alleged misconduct.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the period from the Listing Date to December 31, 2020 and as of the date of this report.

AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2020.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2020. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

There was no change in auditor of the Company since the Listing Date.

By order of the Board

Mr. Fang Min
Chairman

Hong Kong, March 29, 2021

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the period from the Listing Date to December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code for the period from the Listing Date to December 31, 2020 (except as disclosed below).

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Stock Exchange on June 29, 2020, three Board meetings were held for the period from the Listing Date to December 31, 2020.

Code provision A.2.7 of the CG Code provides that the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. As the Company was only listed on the Stock Exchange on June 29, 2020, the Chairman did not hold any meeting with the independent non-executive Directors from the Listing Date to December 31, 2020.

Code provision C.3.3 of the CG Code provides that the audit committee should liaise with the board and senior management and the audit committee must meet, at least twice a year, with the issuer's auditor. As the Company was only listed on the Stock Exchange on June 29, 2020, one Audit Committee meeting was held for the period from the Listing Date to December 31, 2020.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the period from the Listing Date to December 31, 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the period from the Listing Date to December 31, 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Fang Min, while the chief executive officer of the Company is Ms. Cheng Huanhuan. The Company has complied with Code Provision A.2.1 of the CG Code which stipulates that the roles of Chairman and Chief Executive should not be performed by the same individual.

THE BOARD

Board Composition

As of the date of this annual report, the Board comprises 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors as follows:

Executive Directors

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

Non-Executive Directors

Mr. Fang Min *(Chairman)*
Mr. Zhu Yiwen *(vice Chairman)*

Independent Non-executive Directors

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

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Independent Non-executive Directors

For the period from the Listing Date to December 31, 2020, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the period from the Listing Date to December 31, 2020, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

Appointment and Re-election of Directors

Details of the Directors' service contracts and letters of appointment are set out in the section headed "Directors' Report – Service Contracts and Letters of Appointment" in this report.

Ms. Cheng Huanhuan was appointed as executive Director with effect from June 3, 2019. For details, please refer to P.264 of the Prospectus dated June 16, 2020.

Mr. Ren Ai was appointed as executive Director with effect from September 12, 2018. For details, please refer to the announcement of the Company dated January 25, 2021.

Mr. Zhang Wenshan was appointed as executive Director with effect from January 20, 2020. For details, please refer to P.265 of the Prospectus dated June 16, 2020.

Ms. Jiang Hui was appointed as executive Director with effect from December 23, 2020. For details, please refer to the announcement of the Company dated December 23, 2020.

Mr. Zhu was appointed as non-executive Director with effect from March 30, 2021. For details, please refer to the announcement of the Company dated March 30, 2021.

Mr. Chen Penghui was appointed as independent non-executive Director with effect from September 18, 2019. For details, please refer to P.267 of the Prospectus dated June 16, 2020.

In accordance with Article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

In accordance with Article 109(b) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Accordingly, Ms. Cheng Huanhuan (an executive Director), Mr. Ren Ai (an executive Director) and Mr. Chen Penghui (an independent non-executive Director), being eligible, have offered themselves for re-election as Directors at the AGM.

Moreover, in accordance with Article 112 of the Articles of Association, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation pursuant to Article 109.

In accordance with Article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

Accordingly, Mr. Zhang Wenshan (an executive Director), Ms. Jiang Hui (an executive Director) and Mr. Zhu Yiwen (a non-executive Director), who were appointed as Directors on January 20, 2020, December 23, 2020 and March 30, 2021, respectively, have offered themselves for re-election at the AGM.

The Nomination Committee has reviewed and assessed the background, expertise, experience and time commitment of the retiring Directors according to the nomination policy of the Company, taking into account various aspects set out in the board diversity policy of the Company including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee has considered Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan, and Ms. Jiang Hui's rich experience in the daily management and operation of the Group, their working profile and knowledge in business and general management. The Nomination Committee is satisfied that Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui have performed their duties as executive Directors effectively. The Board is of the opinion that Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui with their knowledge and experience will continue to bring valuable contribution to the Board.

The Nomination Committee has also considered Mr. Zhu Yiwen's rich experience in the healthcare industry and with over 30 years of clinical experience as an experienced physician, his working profile and knowledge in business and general management. The Nomination Committee is satisfied that Mr. Zhu Yiwen has performed his duties as non-executive Director effectively. The Board is of the opinion that Mr. Zhu Yiwen with his knowledge and experience will continue to bring valuable contribution to the Board.

The Nomination Committee has assessed the independence of all the independent non-executive Directors including Mr. Chen Penghui. All the independent non-executive Directors have satisfied the independence criteria as set out in Rule 3.13 of the Listing Rules on reviewing their annual written confirmation of independence to the Company.

The Nomination Committee has also considered Mr. Chen Penghui's qualification and professional experience in healthcare industry and investment that will enhance the diversity of the skills and perspectives of the Board. The Board considers that Mr. Chen Penghui has devoted sufficient time to perform his duties of an independent non-executive Director of the Company.

The Nomination Committee has nominated and the Board has recommended Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan, Ms. Jiang Hui, Mr. Zhu Yiwen and Mr. Chen Penghui to stand for re-election at the AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance cover to protect Directors from possible legal action against them.

Remuneration of Directors and Senior Management

The Company is not aware of any arrangement under which a director has waived or agreed to waive any emoluments.

Details of the remuneration of the members of the Board for the year ended December 31, 2020 are set out in note 38 to the consolidated financial statements in this annual report.

The remuneration of the senior management members of the Company by band during the year ended December 31, 2020 are set out below:

Remuneration Band	Number of Individuals
Nil to HK$500,000	1
HK$500,000 to HK$1,000,000	3
HK$2,000,000 to HK$2,500,000	1
HK$3,000,000 to HK$3,500,000	1

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the period from the Listing Date to December 31, 2020, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

Name of Directors	Law and Regulation Updates and Regulatory Dynamics
Executive Directors	
Ms. Cheng Huanhuan	✓
Mr. Ren Ai	✓
Mr. Zhang Wenshan	✓
Ms. Jiang Hui *(appointed on December 23, 2020)*	✓
Non-Executive Directors	
Mr. Fang Min *(Chairman)*	✓
Mr. Cao Yanling *(resigned on March 30, 2021)*	✓
Mr. Zhao Yan *(resigned on December 23, 2020)*	✓
Mr. Zhu Yiwen *(vice Chairman) (appointed on March 30, 2021)*	N/A
Independent Non-executive Directors	
Mr. Liu Yanqun	✓
Mr. Chen Penghui	✓
Mr. Ye Changqing	✓

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the business growth. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The existing members of the Board were appointed after taking into account the aforesaid factors. The Directors have a balanced mix of experiences and industry background, including but not limited to experiences in clinics, hospital management, technology development, finance, accountancy, investment and securities industries. The Directors also obtained degrees in various majors including medical, medicinal chemistry, computer science, business administration, international finance, economics and mathematics. The three independent non-executive Directors are with different industry and education backgrounds, representing one third of the total members of the Board. Therefore, the Board has striven to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Stock Exchange and the Company and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies and financial reporting procedures; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

The Audit Committee held one meeting during the period from the Listing Date to December 31, 2020 to review the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2020. As the Company was only listed on the Stock Exchange on June 29, 2020, the Audit Committee only met the Company's external auditors once during the period from the Listing Date to December 31, 2020.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of each Director and senior management, and the remuneration policy and structure for all Directors and senior management; reviewing and approving compensations payable to the Directors and senior management; reviewing the performance of the Directors and senior management; supervising the implementation of the remuneration policies of the Company; and approving the terms of executive Directors' service contracts.

The Remuneration Committee met once during the period from the Listing Date to December 31, 2020 to review and consider the remuneration package of a new executive Director and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee has formulated a nomination policy for the Board and key senior management, pursuant to which the following criteria should be considered: the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making a recommendation to the Board. The nomination policy also sets out the process and procedures for the nomination of Directors and key senior management. The Nomination Committee shall actively communicate with relevant departments of the Company and study the Company's demand for new Directors and key senior management, and present such information in writing. The Nomination Committee may extensively search for candidates for the Directors and key senior management within the Company, any company of which the Company is the holding company or in which the Company holds shares, the human resources market and other sources. The Nomination Committee shall convene a Nomination Committee meeting to examine the qualifications of the candidates against the selection criteria for Directors and key senior management, make recommendations and submit relevant materials to the Board and take other follow-up actions according to the decision and feedback from the Board.

The Nomination Committee met once during the period from the Listing Date to December 31, 2020 to elect and recommend a new executive Director to the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and the compliance manual applicable to employees and Directors, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance record of each Director at the Board and Board Committee meetings of the Company held during the period from the Listing Date to December 31, 2020 is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Ms. Cheng Huanhuan	3/3	N/A	N/A	N/A
Mr. Ren Ai	3/3	N/A	1/1	1/1
Mr. Zhang Wenshan	3/3	N/A	N/A	N/A
Ms. Jiang Hui *(appointed on December 23, 2020)*	1/1	N/A	N/A	N/A
Non-Executive Directors				
Mr. Fang Min *(Chairman)*	3/3	1/1	N/A	N/A
Mr. Cao Yanling *(resigned on March 30, 2021)*	3/3	N/A	N/A	N/A
Mr. Zhao Yan *(resigned on December 23, 2020)*	2/2	N/A	N/A	N/A
Mr. Zhu Yiwen *(vice Chairman) (appointed on March 30, 2021)*	N/A	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Liu Yanqun	3/3	1/1	1/1	1/1
Mr. Chen Penghui	3/3	N/A	1/1	1/1
Mr. Ye Changqing	3/3	1/1	N/A	N/A

According to Article 62 of the Articles of Association, an annual general meeting of the Company shall be held in each year other than the year of the Company's adoption of the Articles of Association. As the Articles of Association which became effective on the Listing Date was adopted by a special resolution passed on June 8, 2020, no AGM was held during the period from the Listing Date to December 31, 2020.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2020.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, positions and prospects from time to time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 79 to 83 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, for the year ended December 31, 2020, is set out below:

Type of Services	Amount *(RMB)*
Audit services	4,350,000
Non-audit services	300,000
Initial Public Offering	5,384,000
Total	**10,034,000**

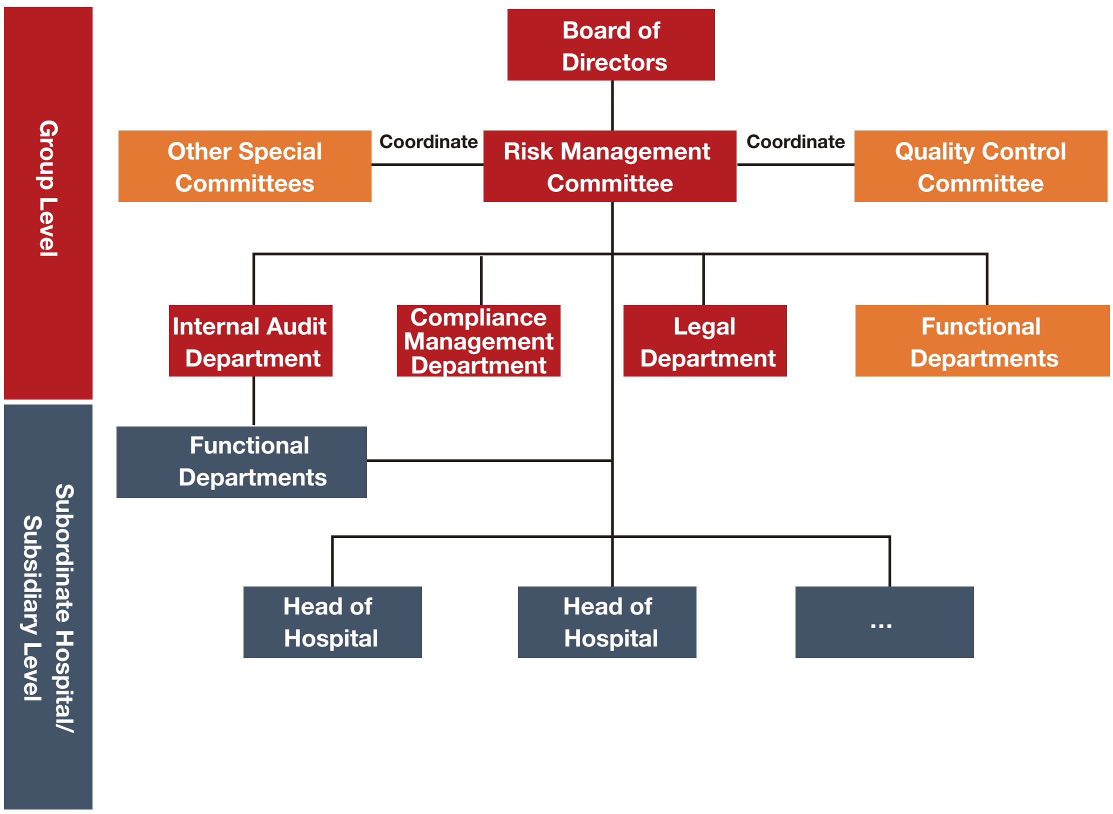
RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

The Board is responsible for the Group's risk management and internal control and reviewing the related management structure. The Board believes that a sound risk management and internal control system is essential to the realization of the Group's strategic objectives, and the Board is responsible for the effective operation of the Group's risk management and internal control system. A sound risk management and internal control system aims to reduce the risks faced by the Group in the process of achieving various business goals, and to provide reasonable but not absolute guarantees for the realization of business goals.

Risk Management and Internal Control Framework

The Group has established a two-tiered organizational structure for risk management, including the headquarters level and the subordinate hospital/subsidiary level. The headquarters level provides assistance and guidance to risk assessment for the subordinate hospitals/subsidiaries/business units. This framework is designed to promote and review the continuous operation and improvement of the risk management and internal control systems of the Group's various business links. The specific structure is as follows:



The roles and responsibilities of each member in the risk management structure are as follows:

Group Level	Main Responsibilities
Board of Directors	• To consider and approve the overall plan of the Group's risk management system; • To decide the appointment and dismissal of the person in charge of the Group's risk management; • To review the risk management evaluation report submitted to the general meeting; • To supervise the risk management responsibilities of the Risk Management Committee and comprehensively manage the Group's risks;
Risk Management Committee	• To review the organization of risk management and its responsibilities plan, and review the basic system of risk management; • To review the Risk Management Operation Manual and its revisions; • To promote risk management and risk assessment, and regularly appoint relevant responsible persons to perform risk assessment; • To review major risk assessment reports and various risk management reports; • To understand the major risks faced by the Group and the current status of risk management, and make effective risk control decisions; • To review major risk management measures, correct and deal with decisions or behaviors made by relevant organizations or individuals that transcend the risk management system; • Risk management and other major issues.

Group Level	Main Responsibilities
Internal Audit Department, Compliance Management Department, Legal Department	• To promote the construction of a Group-level risk management system; • Responsible for the revision of the Risk Management Operation Manual and submit it to the Risk Management Committee for review. • To organize and coordinate with various departments and hospitals of the headquarters to carry out Group-level major risk identification and assessment, and summarize and analyze the above information to form Group-level major risk assessment reports and various risk management reports, and submit them to the Risk Management Committee and reveal information of major risks at the Group level; • Responsible for managing Group-level risks, researching and proposing relevant measures and plans for Group-level major risk management, and providing professional advice on major risk decisions; • To monitor the main business risks faced by hospitals and the effectiveness of corresponding risk management measures; • To supervise the cultivation of the Group's overall risk management culture;
Other functional departments of the headquarters, heads and personnel of hospitals	• To cooperate with various risk management departments at the headquarters level to regularly update the risk list and risk assessment of its business; • To formulate the relevant risk response plan of its business and implement the response plan; responsible for the promotion and implementation of specific risk management measures; • To monitor various risks of its business, and report risk information to the Internal Audit Department of the headquarters in a timely manner; • To handle other related risk management work.

The Group has formulated the Risk Management Manual to clarify the concepts of risk and risk management, standardize the Group's risk management structure, and formulate the Group's risk management processes and procedures. The Group carries out risk assessment in accordance with systematic risk management procedures in each financial year. From the Group -level perspective, the Group identifies the risks linked to its overall business or related to multiple departments of its subsidiaries and conducts risk analysis by assessing the degree of impact of the risk and the probability of occurrence, and then establishes or formulates corresponding risk response measures to maintain the Group-level risks within a controllable range.

The Group has established an internal audit function independent from the business operation departments, which reviews and evaluates the suitability and effectiveness of the Group's risk management and internal control through the use of systematic and standardized methods, but does not directly participate in or be responsible for the design and implementation of risk management and internal control system, business activities, decision-making or implementation of business management of the audited objects. The internal audit function directly reports to the Group's Board on the review and evaluation of risk management and internal control to assist the Board in promoting and supervising the operation of the Group's risk management and internal control system.

The Group has established the Information Disclosure Management System which stipulates the definition of inside information and the handling and disclosure procedures of inside information. The Group uses annual reports, interim reports, quarterly reports, and results announcements related to the above reports to disclose information to investors and the public to ensure timely fulfillment of the obligation of timely disclosure of information in accordance with the relevant provisions of the Stock Exchange. The Group strictly prohibits unauthorized use or dissemination of confidential or inside information.

Review of Risk Management and Internal Control for 2020

The Board was responsible for reviewing the effectiveness of the risk management and internal control systems during the year, which covered all important aspects of control, including financial control, operation control and compliance control. During the year ended December 31, 2020, the Board completed the review of the Group's risk management and internal control systems and was satisfied with the results. The Board and management also reviewed the adequacy of the resources, qualifications, and experience of the staff in the accounting, internal audit and financial reporting functions of the Group, as well as the adequacy of the training courses and related budgets received by the staff and were satisfied with the results.

In 2020, the Board hired professional third-party companies to provide professional advice and services on risk management and internal control systems for the Group. The Group continued to review the effectiveness of the internal control system, and adopted measures and procedures in various aspects, such as fund management, budget management, and market activities, to strengthen the effectiveness of the internal control system.

The Group has established a comprehensive risk management system and has achieved organic integration with the existing internal control system. Through systematic risk assessment procedures, the Group identified and established a list of risks in line with the Company's business conditions, evaluated the likelihood and impact of risks to rank the severity of such impacts on the Group's business, and then formulated risk management measures to control the risks to an acceptable level. Finally, through internal supervision, the Group effectively implemented risk management measures, reflecting the effect of risk management.

In addition, the Group has established a quality control committee to supervise the healthcare business of the Group's hospitals and clinics. The Group continues to establish, improve, and implement various rules and regulations on medical quality.

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended December 31, 2020 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board also made reference to the results of the agreed-upon procedures in connection with the internal control of the Company performed by the internal control consultant engaged by the Company in preparation for the Listing, and these procedures did not identify any material internal control deficiencies of the Group.

The Board considers that the current risk management and internal control measures cover the existing businesses of the Group, and will continue to be optimized in line with the business development of the Group.

JOINT COMPANY SECRETARIES

Mr. Ren Ai, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Yeung Ching Man, a vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), as the other joint company secretary to assist Mr. Ren to discharge his duties as company secretary of the Company. The primary corporate contact person at the Company is Mr. Ren, the joint company secretary of the Company.

For the year ended December 31, 2020, each of Mr. Ren and Ms. Yeung has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Ms. Yeung resigned from the position as the joint company secretary with effect from January 25, 2021. Mr. Lau Kwok Yin was appointed as the joint company secretary with effect from January 25, 2021. For details, please refer to the announcement of the Company dated January 25, 2021.

DIVIDEND POLICY

Subject to the requirements of the Articles of Association, Cayman Islands law and other applicable laws and regulation, the Board has absolute discretion to recommend any dividend. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the Directors consider relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment.

All Dividends, bonuses or other distributions or the proceeds of the realization of any of the foregoing unclaimed for one year after having been declared by the Company until claimed and, notwithstanding any entry in any books of the Company may be invested or otherwise made use of by the Board for the benefit of the Company or otherwise howsoever, and the Company shall not constitute a trustee in respect thereof. All Dividends, bonuses or other distributions or the proceeds of the realization of any of the foregoing unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall be reverted to the Company and, in the case where any of the same are securities of the Company, may be re-allotted or re-issued for such consideration as the Board thinks fit and the proceeds thereof shall accrue to the benefit of the Company absolutely.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

In accordance with Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may put forward proposals for consideration at a general meeting of the Company according to Article 64 of the Articles of Association requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders and investors who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Suites 702-707, Enterprise Square, No. 228 Meiyuan Road, Jing'an District, Shanghai, the PRC (email address: IR@hygeia-group.com.cn).

Changes to the contact details above will be communicated through the Company's website at www.hygeia-group.com.cn, which also contains information and updates on the Group's business developments and operations, as well as press releases and financial information.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles of Association on June 8, 2020, which has been effective from the Listing Date. From the Listing Date to December 31, 2020, the said Articles of Association did not have any change.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Hygeia Healthcare Holdings Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 165, which comprise:

- the consolidated statement of comprehensive income for the year ended December 31, 2020;
- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter identified in our audit is related to impairment assessment of contractual rights to provide management service.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of contractual rights to provide management service	
Refer to Note 2.7, Note 4(c) and Note 14(b) to the consolidated financial statements. As at December 31, 2020, the carrying amount of contractual rights to provide management service by the Group amounted to RMB50,382,000, among which RMB12,356,000, RMB21,289,000 and RMB16,737,000 were for managed hospitals Kaiyuan Jiehua Hospital, Handan Renhe Hospital and Handan Zhaotian Orthopedic Hospital respectively. No impairment indicator had been identified for the contractual rights to provide management service of Kaiyuan Jiehua Hospital and Handan Renhe Hospital. For Handan Zhaotian Orthopedic Hospital, it delayed its reopening plan from January 2021 to January 2022, which was an indication that contractual rights to provide management service might be impaired and management was therefore required to test for impairment. Management used value-in-use method to calculate the recoverable amount of the CGU with the contractual rights with reference to the cash flow forecast based on the forecasted revenue of the managed hospital. The revenue from Hospital Management Business of the Group is calculated based on pre-set formulas set out in the arrangements, which is related to the managed hospital's revenue. Such forecasts involved management's significant judgements and estimates, comprising compound growth rate in revenue, long-term growth rate and discount rate before tax. Based on management's assessment, contractual rights to provide management service were not further impaired for the year ended December 31, 2020.	We obtained an understanding of the management's internal control and assessment process of impairment assessment of contractual rights and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We considered the appropriateness of management's assessment as to whether any impairment indicator exists by enquiry of management, comparing the actual operating results of managed hospitals with budget and applying our industry knowledge to independently identify if any internal or external adverse change occurred. In respect of the assessment of recoverable amount of contractual rights to provide management service for Handan Zhaotian Orthopedic Hospital, we have: (i) Obtained future cashflow forecasts used in the calculation for impairment and compared to the budget which were approved by management. (ii) Involved our internal valuation expert to evaluate the appropriateness of the Group using value-in-use method to determine the recoverable amount of the CGU with contractual rights to provide management service.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this matter due to the significance of the balance of contractual rights to provide management service to the consolidated financial statements, and significant judgements and estimates involved in management's impairment assessment.	(iii) Assessed management's key assumptions and estimates as follows: • Assessed the reasonableness of compound growth rate in revenue adopted for cash flow forecasts, by comparing them with historical data of comparable hospitals in the market. • Assessed the reasonableness of long-term growth rate, with reference to the long-term average growth rate of the industry. • Assessed the reasonableness of the discount rate before tax, taking into account the cost of capital of the Group and comparable organisations. (iv) Checked the calculation accuracy of the present value of future cash flows expected to be derived from contractual rights to provide management service. (v) Performed sensitivity analysis on the above key assumptions and assessed the potential impacts of a range of possible outcomes independently. Based on the results of the work performed above, we found management's judgements and estimates involved in the impairment assessment of contractual rights to provide management service were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**1,401,764**	1,085,826
Cost of revenue	5, 8	**(921,721)**	(755,706)
Gross profit		**480,043**	330,120
Selling expenses	8	**(13,738)**	(15,419)
Administrative expenses	8	**(152,902)**	(136,272)
Other income	6	**8,410**	4,895
Other losses – net	7	**(21,529)**	(9,117)
– Other losses – effect of deferral of the redemption date of redeemable shares		**(57,852)**	–
– Other gains/(losses) – others		**36,323**	(9,117)
Operating profit		**300,284**	174,207
Finance income	10	**498**	629
Finance costs	10	**(48,170)**	(95,516)
– Finance costs – interest expenses of redeemable shares		**(48,029)**	(89,324)
– Finance costs – others		**(141)**	(6,192)
Finance costs – net		**(47,672)**	(94,887)
Profit before income tax		**252,612**	79,320
Income tax expense	11	**(75,551)**	(39,553)
Profit and total comprehensive income for the year		**177,061**	39,767
Profit and total comprehensive income attributable to			
– Owners of the Company		**170,085**	39,767
– Non-controlling interests		**6,976**	–
Earnings per share (expressed in RMB per share)			
– Basic earnings per share (in RMB)	12	**0.38**	0.14
– Diluted earnings per share (in RMB)	12	**0.38**	0.14

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

Consolidated Statement of Financial Position

	Notes	As at December 31, 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**1,365,850**	1,122,461
Intangible assets	*14*	**382,940**	385,706
Prepayments for non-current assets	*19*	**17,885**	18,420
Deferred income tax assets	*15*	**12,289**	18,072
Total non-current assets		**1,778,964**	1,544,659
Current assets			
Inventories	*16*	**50,957**	47,016
Trade, other receivables and prepayments	*19*	**276,530**	224,936
Amounts due from related parties	*33*	**12,824**	3,169
Financial assets at fair value through profit or loss	*17*	**2,196,926**	–
Cash and cash equivalents	*20*	**385,104**	393,409
Total current assets		**2,922,341**	668,530
Total assets		**4,701,305**	2,213,189
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	*21*	**7,123,502**	2,731,464
Shares held for employee share scheme		**–***	–*
Other reserves	*22*	**(2,747,909)**	(2,680,702)
Accumulated losses	*23*	**(107,826)**	(253,368)
		4,267,767	(202,606)
Non-controlling interests		**73,610**	–
Total equity/(deficits)		**4,341,377**	(202,606)

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

Consolidated Statement of Financial Position

	Notes	As at December 31, 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*15*	**43,599**	32,668
Deferred revenue	*24*	**26,690**	28,314
Lease liabilities	*25*	**807**	1,307
Redeemable shares	*26*	**–**	631,674
Other non-current liabilities	*27*	**7,880**	7,651
Total non-current liabilities		**78,976**	701,614
Current liabilities			
Trade and other payables	*29*	**237,268**	262,474
Amounts due to related parties	*33*	**–**	16,678
Contract liabilities	*30*	**11,456**	9,882
Current income tax liabilities		**30,551**	25,454
Lease liabilities	*25*	**1,677**	1,297
Redeemable shares	*26*	**–**	1,398,396
Total current liabilities		**280,952**	1,714,181
Total liabilities		**359,928**	2,415,795
Total equity/(deficits) and liabilities		**4,701,305**	2,213,189

The consolidated financial statements on pages 84 to 165 were approved by the Board of Directors on March 29, 2021 and were signed on its behalf.

Cheng Huanhuan
Director

Ren Ai
Director

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company						
		Share capital and premium RMB'000 (Note 21)	Shares held for employee share scheme RMB'000	Other reserves RMB'000 (Note 22)	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		-	-	-	170,085	170,085	6,976	177,061
Total comprehensive income for the period		-	-	-	170,085	170,085	6,976	177,061
Transactions with owners in their capacity as owners								
Share-based compensation	28	-	-*	4,072	-	4,072	-	4,072
Transfer to statutory reserves		-	-	24,543	(24,543)	-	-	-
Conversion from redeemable shares into ordinary shares pursuant to Initial Public Offering ("IPO")	26	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	21	2,024,255	-	-	-	2,024,255	-	2,024,255
Share issuance cost	21	(92,397)	-	-	-	(92,397)	-	(92,397)
Share issuance cost of over-allotment	21	(8,984)	-	-	-	(8,984)	-	(8,984)
Shares issued upon over-allotment options exercised	21	298,709	-	-	-	298,709	-	298,709
Non-controlling interests arising on exercise of employee share scheme	22	-	-	(66,634)	-	(66,634)	66,634	-
Total transactions with owners in their capacity as owners		4,392,038	-*	(67,207)	(24,543)	4,300,288	66,634	4,366,922
Balance at December 31, 2020		7,123,502	-*	(2,747,909)	(107,826)	4,267,767	73,610	4,341,377

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

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Notes	Share capital and premium RMB'000 (Note 21)	Shares held for employee share scheme RMB'000	Other reserves RMB'000 (Note 22)	Accumulated losses 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 year		–	–	–	39,767	39,767	–	39,767
Total comprehensive income for the year		–	–	–	39,767	39,767	–	39,767
Transactions with owners in their capacity as owners								
Prepaid exercise price of restricted share scheme of a subsidiary	28	–	–*	9,100	–	9,100	–	9,100
Transfer to statutory reserves		–	–	16,775	(16,775)	–	–	–
Capital injections from shareholders of a subsidiary		–	–	173	–	173	–	173
Share-based compensation	28	–	–	10,785	–	10,785	–	10,785
Effect of Reorganization of the Group	22	2,762,050	–	(2,762,050)	–	–	–	–
Additional shares of the Company issued to Mr. Zhu due to 5% anti-dilution rights	7	11,355	–	–	–	11,355	–	11,355
Issuance of redeemable shares of the Company	26	–	–	(37,601)	–	(37,601)	–	(37,601)
Dividends		(41,941)	–	–	–	(41,941)	–	(41,941)
Acquired additional shares of a subsidiary	22	–	–	(2,378)	–	(2,378)	(3,622)	(6,000)
Total transactions with owners in their capacity as owners		2,731,464	–*	(2,765,196)	(16,775)	(50,507)	(3,622)	(54,129)
Balance at December 31, 2019		2,731,464	–*	(2,680,702)	(253,368)	(202,606)	–	(202,606)

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

Consolidated Statement of Cash Flow

	Notes	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**349,367**	268,461
Interest received		**498**	629
Income tax paid		**(53,740)**	(40,473)
Net cash generated from operating activities		**296,125**	228,617
Cash flows from investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed		**–**	24,800
Purchases of property, plant and equipment		**(321,893)**	(154,245)
Proceeds from disposal of property, plant and equipment and intangible assets	32	**1,353**	2,083
Purchases of intangible assets		**(3,268)**	(5,413)
Payments for acquisition of additional shares of a subsidiary		**–**	(6,000)
Payments for acquisition of subsidiaries		**–**	(1,420)
Payments for financial assets at fair value through profit or loss	3	**(6,810,870)**	(2,689,120)
Proceeds from disposal of financial assets at fair value through profit or loss	3	**4,657,052**	2,694,337
Net cash used in investing activities		**(2,477,626)**	(134,978)
Cash flows from financing activities			
Prepaid exercise price of restricted shares		**33,375**	9,100
Payment for listing expense	21	**(89,424)**	(2,808)
Payment for listing expense of over-allotment	21	**(8,984)**	–
Capital injections from the Company's shareholders		**–**	173
Issuance of redeemable shares	26	**–**	255,471
Borrowing interest paid	10	**–**	(6,001)
Repayments of bank borrowings	32	**–**	(560,493)
Proceeds from bank borrowings	32	**–**	504,493
Payments of lease liabilities	32	**(1,507)**	(1,424)
Repayment and advance to related parties	32	**(11,904)**	(154,523)
Advances and repayments from related parties	32	**–**	60,574
Dividends paid to the Company's shareholders		**(70,000)**	–
Proceed from insurance of new ordinary shares pursuant to the IPO	21	**2,024,255**	–
Proceed from insurance of new ordinary shares pursuant to the over-allotment	21	**298,709**	–
Net cash generated from financing activities		**2,174,520**	104,562
Net (decrease)/increase in cash and cash equivalents		**(6,981)**	198,201
Effect on exchange rate difference		**(1,324)**	4,656
Cash and cash equivalents at beginning of the year		**393,409**	190,552
Cash and cash equivalents at end of the year	20	**385,104**	393,409

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

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

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

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

The 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") (the "Listing") on June 29, 2020.

The Group underwent a series of group reorganization ("Reorganization") from September 2018 through June 2019 in preparation for the Listing and details of which have been set out in the Accountant's Report.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

2.1 Basis of preparation

(i) Compliance with International Financial Reporting Standards ("IFRS") and Hong Kong Companies Ordinance Cap.622 ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS and the disclosure requirements of the HKCO.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (financial assets at "FVPL") which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) 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

(iv) New standards and interpretations not yet been adopted

		Effective for annual periods beginning on or after
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts-Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use	January 1, 2022
Annual improvements project	Annual improvements 2018-2020 cycle	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(a) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

For business combination under common control, the merger accounting has been applied. In applying merger accounting, the financial information for the reporting period incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The comparative amounts in the financial information for the reporting period are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction – that is, as transactions with equity owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or retained earnings.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the financial information for the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income within "other gains – net".

2.4.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the periods in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	Shorter of the term of remaining title to the land or estimated useful life
Medical equipment	5-10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years
Right-of-use for properties	5-10 years
Right-of-use for lands	Shorter of remaining lease term or estimated useful life
Leasehold improvements	Shorter of remaining lease term or estimated useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of comprehensive income.

Construction-in-progress (the "CIP") represents buildings under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the hospital (Note 14).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

2.6.2 Medical licenses

Medical Licenses acquired in a business combination are recognized at fair value at the acquisition date. These medical Licences have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 30 years.

2.6.3 Contractual rights to provide management services

Contractual rights to provide management services are the rights to provide management services to hospitals. These contractual rights acquired in a business combination are recognized at fair value at the acquisition date. These contractual rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives of 40 years.

2.6.4 Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintaining computer software programmes are recognized as expense as incurred.

2.6.5 Research and development

Research expenditure is recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique intangible asset controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the intangible asset include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

During the reporting period, there were no development costs meeting these criteria and capitalized as intangible assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets, except for goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

– those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

See Note 18 for details about each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

– Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses)-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses)-net and impairment expenses in other expenses.

– Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within other gains/(losses)-net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iii) Impairment of financial assets

The Group has the following types of financial assets subject to IFRS 9's new expected credit loss model:

– trade receivables for sales of goods or provision of services; and

– other receivables and due from related parties.

While cash and cash equivalents and term deposits with initial term of over three months are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

Impairment of other receivables and due from related parties are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(iv) Derecognition of financial instruments

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iv) Derecognition of financial instruments (Continued)

Financial assets (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

– the carrying amount of the financial asset transferred; and

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

Trade receivables are amounts due from patients, governments' social insurance schemes and distributors for pharmaceutical sales and service rendered in the ordinary course of business. Majority of other receivables are staff advance and rental deposit. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.8 for a description of the Group's impairment policy for trade and other receivables.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the its equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.15 Redeemable shares

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.17.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.17.2 Deferred income tax

(i) Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates(and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.17.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

2.18.1 Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group based in the PRC participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees based in the PRC payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

2.18.2 Housing funds, medical insurances and other social insurances

The employees of the Group based in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed as incurred.

2.18.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

2.18.4 Employee leave entitlement

Employee entitlement to annual leave are recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date. Employees entitlement to sick leave and maternity leave are not recognized until the time of leave.

2.18.5 Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

2.18.6 Share-based compensation benefits of the Group

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (including share options) is recognized as an expense on the consolidated statements of comprehensive income. If the employees are entitled to receive dividends during the vesting period, the dividends expected to be paid during the vesting period is included in the award's grant date fair value. The total amount to be expensed is determined by reference to the fair value of the equity instruments (including share options) granted:

- Including any market performance conditions;
- Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and
- Excluding the impact of any service and non-market performance vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments (including share options) that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital. The prepaid exercise price is recorded in equity or liabilities depending on whether the Group has the obligation to settle it by cash or other financial assets.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

During the years ended December 31, 2020 and 2019, the Group operates three types of business, namely:

(i) Hospital Business;

(ii) Radiotherapy Business; and

(iii) Hospital Management Business.

Revenue is measured at the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales between the Group companies. The Group recognizes revenue when it transfers control of the goods or services to a customer.

2.20.1 Hospital Business

Revenue from ancillary medical services is recognized when the related services have been rendered and includes outpatient and inpatient services. The subsequent agreement on the government approved annual quota for the medical fees to be recovered from the relevant public medical insurance program have been treated as changes in variable considerations. The Group estimates the variable considerations based on the most likely amount, which is based on historical practice and all reasonably available information and adjusts to the actual amount for the satisfied ancillary medical services in the period when the annual quota is agreed.

(a) Outpatient services

For outpatient services, the patient normally receives outpatient treatment which contains various treatment components. Outpatient services contain more than one performance obligations, including (i) provision of consultation services and (ii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis. Both (i) provision of consultation services and (ii) sale of pharmaceutical products for which the control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and the Group has satisfied its performance obligations with present right to payment and the collection of the consideration is probable.

(b) Inpatient services

For inpatient services, the customers normally receive inpatient treatment which contains various treatment components. Inpatient services contain more than one performance obligations, including (i) provision of consultation services (ii) provision of inpatient healthcare services and (iii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

For revenue from (i) provision of consultation services and (iii) sale of pharmaceutical products for which control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and the Group has satisfied its performance obligations with present right to payment and the collection of the consideration is probable.

For revenue from (ii) provision of inpatient healthcare services, the corresponding revenue is recognized over the service period when customers simultaneously receive the services and consumes the benefits provided by the Group's performance as the Group performs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

2.20.2 Radiotherapy Business

(a) Radiotherapy center service

The Group has signed cooperation agreement with the radiotherapy centers for (i) Lease of radiotherapy equipment (ii) provision of technical support and maintenance service and (iii) provision of radiotherapy center consulting service. The consideration is calculated based on pre-set formulas set out in the arrangements which primarily relating to the radiotherapy centers' revenue. The Group has allocated the lease component and non-lease component and further allocate between technical support and maintenance service and radiotherapy center consulting service on a relative stand-alone selling price basis.

The Group has outsourced the radiotherapy service to third parties and recorded revenue on gross basis. Determining whether such revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. The Group needs to first identify who controls the service before they are transferred to radiotherapy centers. The Group is a principal if it obtains control of the service from third parties that it then transfers to the customer. There are indicators that the Group is a principal, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers.

(b) Radiotherapy equipment lease

The Group has agreed with customers in provision of radiotherapy equipment and related technical support and maintenance service at agreed amount annually. The Group has allocated the lease component and non-lease component on a relative stand-alone selling price basis.

(c) Radiotherapy equipment sales

Revenue from the sales of radiotherapy equipment is recognized when control of the radiotherapy equipment has been transferred, being when the radiotherapy equipment is installed and accepted by the customers.

(d) Radiotherapy equipment disposal service

All the radiotherapy equipment needs to be disposed carefully to comply with safety requirements when they were abandoned. The client provided disposal service to the equipment sold by them and charge customers at a fixed fee. The radiotherapy equipment disposal service is recognized when obtained the safety certification from the government.

(e) Radiotherapy equipment post-sales repair and maintenance service

The Group also provides radiotherapy equipment post-sales repair and maintenance service to those bought the radiotherapy equipment from the Group and charges them at a fixed fee. Radiotherapy equipment post-sales repair and maintenance service is recognized evenly over the service period as specified in the contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

2.20.3 Hospital management services

The Group provides the management related services to other hospitals over the service period – the usual period of service lasts for 40 years. The hospital receives and consumes the benefits provided by the Group's performance as the Group performs. The Group uses a time-based measure of progress. Revenue from provision of trustee hospital management services is recognized over the period in which the services are rendered.

For revenue from trustee hospital management services, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the trustee hospital's revenue.

2.21 Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.22 Leases

The Group as the lessee:

The Group leases various land and properties. Rental contracts are typically made for a fixed period of 3 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments(including in-substance fixed payments), less any lease incentives receivable

– variable lease payment that are based on an index or a rate

– amounts expected to be payable by the lessee under residual value guarantees

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

The Group as the lessee: (Continued)

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability

– any lease payments made at or before the commencement date less any lease incentives received

– any initial direct costs, and

– restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Group as the lessor:

Lease classification is made at the inception date and is reassessed only if there is a lease modification. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where the group is a lessor is recognized as income on a straight-line basis over the lease term (Note 5). The respective leased assets are included in the balance sheet based on their nature.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial information in the reporting period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statements of comprehensive income on a straight – line basis over the expected lives of the related assets.

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 and 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.

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

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings 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, 2020 and 2019, 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, financial asset at fair value through profit or loss and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

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

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 have grant credit term of 0-90 days and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

For other receivables and amounts due from related parties, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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.

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 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 120 days past due and there is no reasonable expectation of recovery	Asset is written off

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Trade receivables

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

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

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

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

(ii) Other receivables and due from related parties

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

As at December 31, 2020 and 2019, the directors of the Company considered that other receivables and due from related parties were performing and within stage 1. The Group considered the 12-month expected credit losses of the other receivables and due from related parties are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

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

The table below set 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 December 31, 2020						
Trade and other payables excluding non-financial liabilities	**166,324**	**–**	**–**	**–**	**166,324**	**166,324**
Lease liabilities	**1,774**	**426**	**426**	**–**	**2,626**	**2,484**
Total	**168,098**	**426**	**426**	**–**	**168,950**	**168,808**
As at December 31, 2019						
Trade and other payables excluding non-financial liabilities	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 amounts of dividends paid to shareholder, 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 total lease liabilities and loan from related parties payables less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the consolidated statements of financial position and redeemable shares on an as-if-not-redeemable basis) plus net debts. For the years ended December 31, 2020 and 2019, the gearing ratio of the Group are as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net debt	**(382,620)**	(378,901)
Total capital	**3,958,757**	1,448,563
Gearing ratio	**Not applicable**	Not applicable

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

As at December 31, 2020 and 2019, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the years ended December 31, 2020 and 2019.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

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

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

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

	As at December 31,	
	2020 **RMB'000**	2019 RMB'000
Balance at beginning of the year	**–**	–
Additions	**6,810,870**	2,689,120
Changes in fair value	**43,108**	5,217
Disposals	**(4,657,052)**	(2,694,337)
Balance at end of the year	**2,196,926**	–

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 0.35% to 7.31% for the year ended December 31, 2020. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the profit before income tax for the year ended December 31, 2020 would have been approximately increase/decrease RMB21,969,000 (2019: nil).

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, term deposits with initial term of over three months, amounts due from related parties, trade and other receivables (excluding prepayments), borrowings, 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 the financial statement requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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

(a) Impairment assessment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. 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. This is further described in Note 14.

There was no impairment of goodwill during the years ended December 31, 2020 and 2019.

(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 years ended December 31, 2020 and 2019.

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 gives 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 ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment assessment of contractual rights

As at December 31, 2020, the carrying amount of contractual rights to provide management services to three not-for-profit hospitals, Handan Zhaotian Orthopedic Hospital, Handan Renhe Hospital and Kaiyuan Jiehua Hospital, was RMB50,382,000 (2019: RMB51,957,000). The Group performed impairment assessment to assess whether these assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Taking into account that Handan Zhaotian Orthopedic Hospital delays its reopening plan from January 2021 to January 2022, the management performed review for impairment of the CGU. The recoverable amount of the CGU with the contractual rights to provide management services is determined based on value-in-use calculation and the calculation of this method required the use of significant estimates and assumptions on the projections of cash flows from the continuous use of contractual rights to provide management services.

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. This is further described in Note 14.

(d) 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 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)

	Year ended December 31, 2020				
	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Hospital Management Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	1,243,225	150,815	7,724	–	1,401,764
Cost of revenue	(864,925)	(54,732)	(2,064)	–	(921,721)
Gross profit	378,300	96,083	5,660	–	480,043
Selling expenses	(13,738)	–	–	–	(13,738)
Administrative expenses	(82,745)	(16,094)	–	(54,063)	(152,902)
Other income	3,257	91	–	5,062	8,410
Other losses – net	(3,724)	(1,440)	–	(16,365)	(21,529)
Segment profit/(loss)	281,350	78,640	5,660	(65,366)	300,284
Finance income					498
Finance costs					(48,170)
Finance costs – net					(47,672)
Profit before income tax					252,612
As at December 31, 2020					
Assets					
Segment Assets	1,695,370	438,307	50,382	2,204,619	4,388,678
Goodwill	300,338	–	–	–	300,338
Deferred income tax assets					12,289
Total Assets					4,701,305
Liabilities					
Segment Liabilities	235,949	45,702	–	34,678	316,329
Deferred income tax liabilities					43,599
Total Liabilities					359,928
Other segment information					
Depreciation of property, plant, and equipment	60,238	9,943	–	1,943	72,124
Amortization of intangible assets	3,610	–	1,575	231	5,416
Additions of non-current assets except for goodwill and deferred income tax assets	300,554	12,978	–	3,724	317,256

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Year ended December 31, 2019				
	Hospital Business RMB'000	Radiotherapy Business RMB'000	Hospital Management Business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	944,727	134,860	6,239	–	1,085,826
Cost of revenue	(705,973)	(47,796)	(1,937)	–	(755,706)
Gross profit	238,754	87,064	4,302	–	330,120
Selling expenses	(15,419)	–	–	–	(15,419)
Administrative expenses	(76,567)	(12,268)	–	(47,437)	(136,272)
Other income	2,204	–	–	2,691	4,895
Other losses – net	(4,978)	(2,727)	–	(1,412)	(9,117)
Segment profit/(loss)	143,994	72,069	4,302	(46,158)	174,207
Finance income					629
Finance costs					(95,516)
Finance costs – net					(94,887)
Profit before income tax					79,320
As at December 31, 2019					
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					
Depreciation of property, plant, and equipment	56,584	8,849	–	1,703	67,136
Amortization of intangible assets	2,522	–	1,576	48	4,146
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:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Hospital Business		
– Outpatient services	373,137	264,834
– Inpatient services	870,088	679,893
Radiotherapy Business		
– Radiotherapy center consulting service	50,839	46,237
– Radiotherapy equipment licensing	58,955	49,844
– Radiotherapy equipment maintenance service	41,021	31,699
– Radiotherapy equipment sales	–	7,080
Hospital Management Business		
– Hospital management services	7,724	6,239
Total revenue	1,401,764	1,085,826
Including revenue from contracts with customers	1,342,809	1,035,982

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

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
– Inpatient services	62,329	47,747
– Radiotherapy center consulting service	50,839	46,237
– Radiotherapy equipment maintenance service	28,786	24,286
– Hospital management services	7,724	6,239
Over time	149,678	124,509
– Inpatient services	807,759	632,146
– Outpatient services	373,137	264,834
– Radiotherapy equipment maintenance service	12,235	7,413
– Radiotherapy equipment sales	–	7,080
At a point in time	1,193,131	911,473
Revenue from contracts with customers	1,342,809	1,035,982

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 for the year end December 31, 2020 and 2019.

6 OTHER INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Government grants (a)	**7,575**	4,073
Others	**835**	822
	8,410	4,895

(a) The government grants include those grants from the local government in recognition of the contribution of the Group to local economy's development and those asset-related subsidies credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets (Note 24).

7 OTHER LOSSES – NET

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Effect of deferral of the redemption date of redeemable shares *(Note 26)*	**(57,852)**	–
Realised and unrealised gains on financial assets at FVPL	**43,108**	5,217
Losses on disposal of property, plant and equipment	**(1,779)**	(2,937)
Surcharge for tax overdue payment	**–**	(3,231)
Net foreign exchange (losses)/gains	**(1,324)**	4,656
Fair value loss for anti-dilution rights given to Mr. Zhu	**–**	(11,355)
Others	**(3,682)**	(1,467)
	(21,529)	(9,117)

8 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 9)*	**407,752**	347,248
Cost of pharmaceutical, consumables and other inventories	**342,461**	267,031
Radiotherapy service fees	**70,632**	62,049
Consultancy and professional service fees	**61,265**	53,945
Marketing and promotion	**4,642**	4,165
Depreciation and amortization *(Notes 13 and 14)*	**77,540**	71,282
Utilities, cleaning and afforestation expenses	**24,044**	26,085
Travelling, entertainment, vehicle and office expenses	**21,116**	23,540
Repair and maintenance	**8,085**	5,753
Rental expenses	**3,354**	2,070
Taxation expenses	**6,122**	4,972
Auditor's remuneration		
– Audit	**4,350**	70
– Non-audit	**300**	–
Expenses in relation to the Listing	**32,267**	20,311
Other expenses	**24,431**	18,876
	1,088,361	907,397

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**370,862**	293,781
Employer's contribution to retirement benefit plan	**10,714**	20,789
Allowances and benefits in kind	**22,104**	21,893
Share-based compensation expenses	**4,072**	10,785
	407,752	347,248

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the include one (2019: one) director whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments payable to the remaining four (2019: four) individuals during the year are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salaries and wages	**3,795**	4,226
Bonuses	**148**	118
Employer's contribution to retirement benefit plan	**27**	123
Allowances and benefits in kind	**95**	96
Share-based compensation expenses	**1,844**	5,676
	5,909	10,239

The emoluments fell within the following bands:

Number of individuals

	Year ended December 31,	
	2020	2019
HKD		
500,001–1,000,000	**–**	2
1,000,000–1,500,000	**3**	1
3,000,000–3,500,000	**1**	–
7,000,001–7,500,000	**–**	1
	4	4

During the years ended December 31, 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS – NET

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Finance income:		
Interest income of bank savings	**498**	629
Finance costs:		
Interest expense on borrowings	**–**	(6,001)
Interest expense on lease liabilities	**(141)**	(191)
Interest expense of redeemable shares	**(48,029)**	(89,324)
	(48,170)	(95,516)
Finance costs – net	**(47,672)**	(94,887)

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**58,837**	42,298
Deferred income tax *(Note 15)*	**16,714**	(2,745)
	75,551	39,553

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%.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

PRC corporate income tax ("CIT")

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

The Company's subsidiary, Chongqing Hygeia Cancer Hospital Co., Ltd. ("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, Shanghai Gamma Star Technology Development Co., Ltd ("Gamma Star Tech"), was approved as high and new technology enterprise under the relevant tax rules and regulations of the PRC, and accordingly, is subjected to a reduced preferential CIT rate of 15% for the years ended December 31, 2020 and 2019.

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 31 December, 2020, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB94,908,000 (2019: nil). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

11 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of income tax expense

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**252,612**	79,320
Tax calculated at applicable statutory tax rate of 25%	**63,153**	19,830
Effect of different tax rates (i)	**9,787**	5,561
Items not deductible for tax purposes (ii)	**3,842**	15,377
Additional deduction on research and development expenses	**(1,231)**	(1,215)
	75,551	39,553

(i) Effect of different tax rates

Effect of different tax rates during the year ended December 31, 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

Items not deductible for tax purposes during the year ended December 31, 2020 were mainly due to the share-based compensation expense recorded in Gamma Star Medical Technology Development (Shanghai) Co., Ltd ("Gamma Star"). And in addition to the item above, there is also the interest expenses on redeemable shares (Note 10) recorded in Gamma Star (before the reorganization completed on June 3, 2019) which was not tax deductible during the year ended December 31, 2019.

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2020 and 2019.

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 3 June, 2019 and the share subdivision on September 18, 2019 whereby each ordinary share was subdivided into 10 ordinary shares (Note 21). 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 21(a)) of 462,758,440 ordinary shares was effective on June 29, 2020, the date that the Company was listed on the Main Board of HKSE. Accordingly, the weighted average number of ordinary shares in issue has been adjusted retrospectively as if it was effective from the date of the beginning.

	Year ended December 31,	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**170,085**	39,767
Weighted average number of shares in issue	**446,620,837**	276,907,464
Basic earnings per share (in RMB)	**0.38**	0.14

12 EARNINGS PER SHARE (CONTINUED)

(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 year ended December 31, 2019, the Company had one round of redeemable shares (Note 26). As the inclusion of interest expenses on redeemable shares would increase the profit for the years ended December 31, 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.

	Year ended December 31,	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**170,085**	39,767
Adjustments for the dilution effect of a subsidiary's restricted share scheme (RMB'000)	**–**	(1,059)
Diluted profit attributable to owners of the Company (RMB'000)	**170,085**	38,708
Weighted average number of shares in issue	**446,620,837**	276,907,464
Adjustments for restricted share scheme	**2,845,912**	3,662,770
Weighted average number of shares for calculating diluted earnings per share	**449,466,749**	280,570,234
Diluted earnings per share (in RMB)	**0.38**	0.14

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 January 1, 2019									
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
Year ended December 31, 2019									
Opening net book amount	549,007	130	191,551	297,847	2,990	19,351	4,819	509	1,066,204
Additions	–	3,707	–	62,734	2,539	11,239	2,663	45,533	128,415
Transfers upon completion	41,848	–	–	1,160	–	–	–	(43,008)	–
Transfer to inventory for sale	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	(4,908)	(87)	(25)	–	–	(5,020)
Depreciation	(12,353)	(1,305)	(4,452)	(41,399)	(907)	(5,181)	(1,541)	–	(67,138)
Closing net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
At December 31, 2019									
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
Year ended December 31, 2020									
Opening net book amount	**578,502**	**2,532**	**187,099**	**315,434**	**4,535**	**25,384**	**5,941**	**3,034**	**1,122,461**
Additions	**2,306**	**1,154**	**57,900**	**60,640**	**2,542**	**5,916**	**695**	**189,018**	**320,171**
Transfers upon completion	**11,571**	**-**	**97,322**	**12,090**	**-**	**-**	**-**	**(120,983)**	**-**
Disposals	**-**	**-**	**-**	**(932)**	**(72)**	**(2,119)**	**(9)**	**-**	**(3,132)**
Depreciation	**(17,610)**	**(1,426)**	**(5,997)**	**(38,907)**	**(1,318)**	**(6,873)**	**(1,519)**	**-**	**(73,650)**
Closing net book amount	**574,769**	**2,260**	**336,324**	**348,325**	**5,687**	**22,308**	**5,108**	**71,069**	**1,365,850**
At December 31, 2020									
Cost	**636,179**	**7,372**	**362,686**	**500,693**	**9,540**	**42,850**	**8,681**	**71,069**	**1,639,070**
Accumulated depreciation	**(61,410)**	**(5,112)**	**(26,362)**	**(152,368)**	**(3,853)**	**(20,542)**	**(3,573)**	**-**	**(273,220)**
Closing net book amount	**574,769**	**2,260**	**336,324**	**348,325**	**5,687**	**22,308**	**5,108**	**71,069**	**1,365,850**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cost of sales	**53,273**	47,291
Administrative expenses	**18,851**	19,847
Capitalization	**1,526**	–
	73,650	67,138

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 January 1, 2019					
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
Year ended December 31, 2019					
Opening net book amount	300,338	4,122	53,533	25,414	383,407
Additions	–	6,443	–	–	6,443
Amortization	–	(1,618)	(1,576)	(950)	(4,144)
Net book amount	300,338	8,947	51,957	24,464	385,706
At December 31, 2019					
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
Year ended December 31, 2020					
Opening net book amount	**300,338**	**8,947**	**51,957**	**24,464**	**385,706**
Additions	**–**	**2,650**	**–**	**–**	**2,650**
Amortization	**–**	**(2,891)**	**(1,575)**	**(950)**	**(5,416)**
Net book amount	**300,338**	**8,706**	**50,382**	**23,514**	**382,940**
At December 31, 2020					
Cost	**300,338**	**14,105**	**68,028**	**28,500**	**410,971**
Accumulated amortization	**–**	**(5,399)**	**(12,646)**	**(4,986)**	**(23,031)**
Accumulated impairment	**–**	**–**	**(5,000)**	**–**	**(5,000)**
Net book amount	**300,338**	**8,706**	**50,382**	**23,514**	**382,940**

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill

Goodwill arised from the acquisition of hospitals through business combinations as below:

	Longyan Boai Hospital Co., Ltd ("Longyan Boai Hospital") RMB'000	Suzhou Canglang Hospital Co., Ltd. ("Suzhou Canglang Hospital") RMB'000	Anqiu Hygeia Hospital Co., Ltd. ("Anqiu Hygeia Hospital") RMB'000	Chengwu Hygeia Hospital Co., Ltd. ("Chengwu Hygeia Hospital") RMB'000	Total RMB'000
As at December 31, 2019	186,019	104,607	5,182	4,530	300,338
As at December 31, 2020	**186,019**	**104,607**	**5,182**	**4,530**	**300,338**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

For Longyan Boai Hospital and Suzhou Canglang Hospital with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at December 31, 2020 and 2019 are as follows:

Longyan Boai Hospital

	Year ended December 31, 2020	2019
Revenue (% compound growth rate)	**15%**	15%
Costs and operating expenses (% of revenue)	**79%**	79%
Long-term growth rate	**3%**	3%
Pre-tax discount rate (i)	**19.98%**	19.79%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**316,477**	275,533

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (Continued)

Suzhou Canglang Hospital

	Year ended December 31,	
	2020	2019
Revenue (% compound growth rate)	**11%**	12%
Costs and operating expenses (% of revenue)	**82%**	82%
Long-term growth rate	**3%**	3%
Pre-tax discount rate (i)	**19.53%**	19.59%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**329,733**	206,306

(i) For the years ended December 31, 2020 and 2019, the performance of Longyan Boai Hospital and Suzhou Canglang Hospital have generally been in line with management's expectations. In addition, the industry in which the hospitals operated and the market and regulatory environment were also largely stable for the years ended December 31, 2020 and 2019. Hence, there were no significant changes in the operating risk and the expected returns required by investors, which have resulted in relatively stable pre-tax discount rates for the years ended December 31, 2020 and 2019.

Revenue compound growth rate is for the five-year forecast period. It is based on past performance and the management's expectations of market development.

The percentage of costs and operating expenses of revenue is the average percentages over the five-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant equipment, which the management does not expect to be able to pass on to customers through price increases.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. By reference to relevant accounting standards, the future cash flows used in value-in-use calculations to assess the goodwill impairment of the certain hospital did not include income tax receipts or payments, and thus the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the certain hospital.

14 INTANGIBLE ASSETS (CONTINUED)

(b) Amortization and impairment test for contractual rights to provide management services

The net book amount of contractual rights to provide management services as at December 31, 2019 and 2020 are as below:

	Kaiyuan Jiehua Hospital *RMB'000*	Handan Renhe Hospital *RMB'000*	Handan Zhaotian Orthopedic Hospital *RMB'000*	Total *RMB'000*
As at December 31, 2019	12,746	21,985	17,226	51,957
As at December 31, 2020	**12,356**	**21,289**	**16,737**	**50,382**

In July 2011, November 2012 and April 2015, the Group entered into hospital management agreements with Handan Renhe Hospital, Kaiyuan Jiehua Hospital and Handan Zhaotian Orthopedic Hospital, respectively. Pursuant to these agreements, the Group provides management services to these hospitals for a period of 40 years respectively. The contractual rights to provide management services are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives of 40 years.

The assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Taking into account that contractual rights to provide management services of Handan Zhaotian Orthopedic Hospital suffered an impairment previously and Handan Zhaotian Orthopedic Hospital commenced renovation in December 2018 and is currently not in operation, the management considered there was indicator for impairment and performed impairment test as of December 2019 and 2020.

The recoverable amount of the CGU with the contractual rights to provide management services is determined based on value-in-use calculations. These calculations use cash flow projections covering the remaining management service period based on ten-year financial budgets approved by management of Handan Zhaotian Orthopedic Hospital.

14 INTANGIBLE ASSETS (CONTINUED)

(b) Amortization and impairment test for contractual rights to provide management services (Continued)

The key assumptions used in the value-in-use calculations as at December 31, 2020 and 2019 are as follows:

Handan Zhaotian Orthopedic Hospital

	Year ended December 31,	
	2020	2019
Management service fee (% compound growth rate)	**NA***	NA*
Long-term growth rate	**3%**	3%
Pre-tax discount rate (i)	**14.56%**	15.63%
Recoverable amount of the management service fee exceeding its carrying amount (RMB'000)	**2,408**	2,368

* The formula is not applicable because the fraction has a denominator of zero. The management service fee of base year (2019 and 2020) is nil as Handan Zhaotian Orthopedic Hospital was not in operation in 2019 and 2020. Handan Zhaotian Orthopedic Hospital planned to reopen in January 2022. Budgeted revenue from the CGU for the year 2022 is about RMB1,064,000 and the compound growth rate used among year 2022 and year 2030 is 18.46%.

(i) The industry in which Handan Zhaotian Orthopedic Hospital operated and the market and regulatory environment were also largely stable during the reporting period. Hence, there were no significant changes in the operating risk and the expected returns required by investors, which have resulted in relatively stable pre-tax discount rates for the years ended December 31, 2019 and 2020.

Handan Zhaotian Orthopedic Hospital commenced operation in August 2016 and then suspended and commenced its renovation in December 2018. It is expected to resume operations before the beginning of 2022. The management considered the five-year cash flow projection with some years without operation could not properly reflect the value of the contractual rights. In addition, the management is experienced in hospital management and believe they have the capacity to prepare a reliable longer period forecast, say 10 years, by reference to another managed hospitals in the same city and the market information. Therefore, the management adopted a ten-year cash flow projection period for impairment test of contractual rights to provide management services for Handan Zhaotian Orthopedic Hospital. The forecast is based on past performance, renovation effects and management's expectations of market development.

The long-term growth rate is for the remaining management service period, which exclude first ten-year forecast period. It does not exceed the long-term average growth rate for the business in which the hospital operates.

14 INTANGIBLE ASSETS (CONTINUED)

(b) Amortization and impairment test for contractual rights to provide management services (Continued)

The discount rates are pre-tax and reflect specific risks relating to the relevant hospital. By reference to relevant accounting standards, the future cash flows used in value-in-use calculation to assess the impairment of the certain contractual rights to provide management services did not include income tax receipts or payments, and thus the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the CGU with the certain contractual rights to provide management services.

We performed sensitivity analysis by decreasing compound growth rate by 5% or increasing pre-tax discount rate by 1% with all other variables held constant, and the impact is immaterial.

No impairment was charged during the years ended December 31, 2020 and 2019.

(c) Amortization

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

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cost of sales	**3,710**	2,527
Administrative expenses	**1,706**	1,617
	5,416	4,144

15 DEFERRED INCOME TAX

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Deferred tax assets		
– to be realised within 12 months	**6,438**	1,962
– to be realised after more than 12 months	**8,549**	24,686
	14,987	26,648
Deferred tax liabilities		
– to be realised within 12 months	**2,637**	678
– to be realised after more than 12 months	**43,660**	40,566
	46,297	41,244

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**12,189**	24,016
Employee benefits	**118**	61
Provisions	**1,182**	1,147
Unrealised profits of intra-group transaction	**854**	762
Impairment of intangible assets	**644**	662
Total deferred tax assets	**14,987**	26,648
Set-off of deferred tax liabilities pursuant to set-off provisions	**(2,698)**	(8,576)
Net deferred tax assets	**12,289**	18,072

	Tax losses	Employee benefits	Provisions	Unrealised gains	Impairment of intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	13,153	32	1,176	28	1,136	15,525
Credit/(charged) to profit or loss	10,863	29	(29)	734	(474)	11,123
As at December 31, 2019	24,016	61	1,147	762	662	26,648
As at January 1, 2020	**24,016**	**61**	**1,147**	**762**	**662**	**26,648**
Credit/(charged) to profit or loss	**(11,827)**	**57**	**35**	**92**	**(18)**	**(11,661)**
As at December 31, 2020	**12,189**	**118**	**1,182**	**854**	**644**	**14,987**

15 DEFERRED INCOME TAX (CONTINUED)

(ii) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31, 2020 RMB'000	As at December 31, 2019 RMB'000
The balance comprises temporary differences attributable to:		
Intangible assets	**5,877**	6,116
Property, plant and equipment	**40,420**	35,128
Total deferred tax liabilities	**46,297**	41,244
Set-off of deferred tax assets pursuant to set-off provisions	**(2,698)**	(8,576)
Net deferred tax liabilities	**43,599**	32,668

Movements	Property, plant and equipment RMB'000	Intangible assets RMB'000	Total RMB'000
At January 1, 2019	26,513	6,353	32,866
– Charged/(credit) to profit or loss	8,615	(237)	8,378
At December 31, 2019	35,128	6,116	41,244
At January 1, 2020	**35,128**	**6,116**	**41,244**
– Charged/(credit) to profit or loss	**5,292**	**(239)**	**5,053**
At December 31, 2020	**40,420**	**5,877**	**46,297**

16 INVENTORIES

	As at December 31, 2020 RMB'000	As at December 31, 2019 RMB'000
Pharmaceuticals	**26,116**	20,212
Medical consumables	**21,456**	23,245
Spare parts	**3,385**	3,559
	50,957	47,016

For the year ended December 31, 2020, the cost of inventories recognized as expense and included in "cost of revenue" amounted to RMB342,461,000 (2019: RMB267,031,000).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Structured deposit products	**691,756**	–
Wealth management products	**1,505,170**	–
	2,196,926	–

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

The structured deposit products and wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 0.35% to 7.31% per annum for the year ended December 31, 2020 (2019: 2.10%-4.20%).

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 20)*	**385,104**	393,409
Amounts due from related parties *(Note 33)*	**12,824**	3,169
Trade and other receivables excluding non-financial assets *(Note 19)*	**267,687**	211,337
	665,615	607,915
Financial assets at fair value through profit or loss	**2,196,926**	–
	2,862,541	607,915
Financial liabilities		
Liabilities at amortized cost:		
Trade and other payables excluding non-financial liabilities	**166,324**	204,047
Amounts due to related parties *(Note 33)*	**–**	16,678
Lease liabilities *(Note 25)*	**2,484**	2,604
Redeemable shares *(Note 26)*	**–**	2,030,070
	168,808	2,253,399

19 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Included in current assets		
Trade receivables	**256,012**	201,078
Other receivables		
– Deposits receivables	**5,547**	6,150
– Others	**6,128**	4,109
	11,675	10,259
Prepayments to suppliers	**8,843**	6,641
Prepayments for other taxes	**–**	609
Prepayment for listing related expenses	**–**	6,349
	8,843	13,599
	276,530	224,936
Included in non-current assets		
Prepayments for property, plant and equipment	**17,885**	18,420
	294,415	243,356

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

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**177,974**	123,251
91 to 180 days	**45,545**	42,788
181 to 365 days	**29,478**	33,371
1 to 2 years	**2,393**	1,668
2 to 3 years	**622**	–
	256,012	201,078

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details please refer to Note 3.1.2.

The Group's trade receivables were denominated in RMB.

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cash at bank and in hand	**385,104**	393,409
	385,104	393,409

Cash and deposits were denominated in the following currencies:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
RMB	**384,184**	373,046
USD	**882**	19,376
HKD	**38**	987
	385,104	393,409

21 SHARE CAPITAL AND SHARE PREMIUM

	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	4,500,000,000	–	–	–
As at December 31, 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	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	23,018	–	–	–
Share subdivision on September 18, 2019	15,517,404	–	–	–
Dividends	–	–	–	(41,941)
At December 31, 2019 and January 1, 2020	17,241,560	170.1	–	2,731,464
Conversion from redeemable shares into ordinary shares pursuant to IPO	–	–	–	2,107,892
Exercise of employee share scheme	2.3	62,563		
Capitalization issue (a)	462,758,440	4,627.6	33	(33)
Shares issued pursuant to the IPO (b)	120,000,000	1,200.0	8	2,024,247
Shares issued upon over-allotment (c)	18,000,000	180.0	1	298,708
Share issuance cost	–	–	–	(92,397)
Share issuance cost of over-allotment	–	–	–	(8,984)
At December 31, 2020	618,000,000	6,180.0	42	7,123,460

(a) 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.

21 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(b) 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.

(c) 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 RMB298,708,000).

22 OTHER RESERVES

	Year ended December 31,	
	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**(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	**–**	(37,601)
Transfer to statutory reserve	**24,543**	16,775
Share-based compensation expense	**4,072**	10,785
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 year	**(2,747,909)**	(2,680,702)

(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.

23 ACCUMULATED LOSSES

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**(253,368)**	(276,360)
Profit for the year	**170,085**	39,767
Transfer to statutory reserves	**(24,543)**	(16,775)
At the end of the year	**(107,826)**	(253,368)

24 DEFERRED REVENUE

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Government grant	**26,690**	28,314
To be realised within 12 months	**719**	1,771
To be realised after more than 12 months:	**25,971**	26,543
Total	**26,690**	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.

25 LEASE LIABILITIES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Minimum lease payments due		
– Within 1 year	**1,774**	1,414
– Between 1 and 2 years	**426**	1,350
– Between 2 and 5 years	**426**	–
	2,626	2,764
Less: future finance charges	**(142)**	(160)
Present value of lease liabilities	**2,484**	2,604
Within 1 year	**1,677**	1,297
Between 1 and 2 years	**391**	1,307
Between 2 and 5 years	**416**	–
	2,484	2,604

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension options are included in such property and equipment leases across the Group.

The total cash outflows for leases payment including lease liabilities, interest expenses on leases and variable lease payments, for the year ended December 31, 2020 were RMB1,507,000 (2019: RMB1,424,000).

Some property leases contain variable payment terms that are linked to the revenue shares from various divisions. For individual divisions, some of lease payments are on the basis of variable payment terms and there is a wide range of revenue shares percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established divisions. Variable lease payments that depend on revenue shares from various divisions are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in revenue shares across all divisions in the Group with such variable lease contracts, for the year ended December 31, 2020 would increase total lease payments by approximately RMB126,000 (2019: RMB82,000).

26 REDEEMABLE SHARES

	Redeemable shares *RMB'000*
Year ended December 31, 2020:	
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 21)*	**(2,107,892)**
At December 31, 2020:	**–**
Year ended December 31, 2019:	
Opening amount	1,647,674
Issuance of redeemable shares	293,072
Interest expense on redeemable shares *(Note 10)*	89,324
At December 31, 2019:	2,030,070
Included in current liabilities:	1,398,396

(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 amounts of redeemable shares by discounting the new contractual cash flow using the original effective interest rate, a non-cash item, have been recognized directly in the other losses (Note 7) of the condensed consolidated statements of comprehensive income.

27 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2020 ***RMB'000***	2019 *RMB'000*
Provision for rotary cobalt-60 therapy unit	**7,880**	7,651
	7,880	7,651

28 SHARE-BASED PAYMENT

(a) Pre-IPO Restricted Share Scheme of Gamma Star

Before the Reorganization, Gamma Star adopted a share incentive plan in July, 2018 ("Pre-IPO Restricted Share Scheme of Gamma Star") to grant restricted shares to the Group's employees for the purpose of attracting and retaining the best available personnel, and to provide additional incentive to employees and directors to promote the success of the Group's business. Accordingly, the relevant grantees became the limited partners of three new established limited liability partnership, namely Shanghai Yueheng Medical Information Technology Service (Limited Partnership) (上海悅衡醫療資訊技術服務中心(有限合夥), Shanghai Yuehuan Medical Information Technology Service (Limited Partnership) (上海悅恒醫療資訊技術服務中心(有限合夥)), Shanghai Yueteng Medical Information Technology Service (Limited Partnership)(上海悅騰醫療資訊技術服務中心(有限合夥)), and which became the shareholders of Hygeia Medical Service Group Holding Limited with 0.3602%, 0.3355% and 0.2228% shares at the considerations of RMB13.1 million, RMB12.2 million and RMB8.1 million, respectively. RMB9.1 million of the considerations have been received in 2019, respectively.

Pursuant to the Pre-IPO Restricted Share Scheme of Gamma Star, the Group has discretion to invite any employee of the Group to participate in the above limited liability partnerships by subscribing for their partnership interest. The participating employees are entitled to all the economic benefits generated by the above limited liability partnerships with the requisition service period. As the Pre-IPO Restricted Share Scheme of Gamma Star is designed by the Group for its benefit and the Group has discretion in determining the participating employees, the limited liability partnerships are controlled and consolidated by the Group as structured entities and the equity interests in Gamma Star to the above limited liability partnerships for the purpose of equity incentives are recorded as "shares held for employee share scheme".

Certain employees obtained the partnership units, as limited partners, of aforesaid three partnership at a price lower than their fair value, such transactions was considered as equity-settled share-based payment to employees. In the event the participant terminates as an employee for any reason within 60 months, the general partner has the rights to repurchase their shares at the consideration equalling to the initial exercise prices plus agreed interest rate. The Group recognize this share-based compensation expense in 5 years as there are 5 years' vesting condition attached to the original granted restricted share. While the prepaid exercise price is recorded in "other reserve".

The fair value of the shares granted to employees on the grant date, March 5, 2018, as determined by a professional valuation firm was RMB94,000.The significant inputs into the Black-Scholes valuation model were listed as below:

	As at March 5, 2018
Expected volatility	37.88%
Risk-free interest rate	3.85%

The Group recorded aggregate RMB19,000 and RMB19,000 share-based compensation expense in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, respectively, for the aforesaid Pre-IPO Restricted Share Scheme of Gamma Star.

28 SHARE-BASED PAYMENT(CONTINUED)

(b) Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital

Shanxian Hygeia Hospital, one of the principal operating subsidiaries of the Group, has adopted a share incentive plan in November 2017 and May, 2018 ("Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital") to grant restricted shares to Shanxian Hygeia Hospital employees 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. Accordingly, the relevant grantees became the limited partners of three new established limited liability partnership, namely Heze Development Area Medical Information Technology Service (Limited Partnership) (菏澤開發區衛健醫療資訊技術服務中心(有限合夥)) in December 2017 and Heze Jixiangkangda Medical Information Technology Service (Limited Partnership) (菏澤市吉祥康達醫療服務中心(有限合夥)) and Heze Haiyuekangjian Medical Information Technology Service (Limited Partnership) (菏澤市海悦康健醫療服務中心(有限合夥)) in August, 2018, and which became the shareholders of Shanxian Hygeia Hospital with total of 9.84%, 4.41% and 4.19% shares at the consideration of RMB33.59 million, RMB19.2 million and RMB18.25 million, respectively.

Pursuant to the Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital, the Group has discretion to invite any employee of the Group to participate in the above limited liability partnerships by subscribing for their partnership interest. The participating employees are entitled to all the economic benefits generated by the above limited liability partnerships with the requisition service period. As the Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital is designed by the Group for its benefit and the Group has discretion in determining the participating employees, the above limited liability partnerships are therefore controlled and consolidated by the Group as structured entities and the equity interests Shanxian Hygeia Hospital transferred to the above limited liability partnerships for the purpose of equity incentives are recorded in "other reserve".

Certain employees obtained the partnership units, as limited partners, of aforesaid three partnership at a price lower than their fair value, such transactions was considered as equity-settled share-based payment to employees. In the event the participant terminates as an employee for any reason within 60 months, authorized person of the Company, has the rights to repurchase their shares at the consideration equalling to the initial exercise prices plus agreed interest rate. The Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital are subject to a lock-up period starting from the date on which the participants fully paid the relevant consideration until the earlier of (i) the expiry of 5 years or (ii) the Listing Date. After the Listing Date, the prepaid exercise price which recorded in "other reserve" were recognized as "share capital and premium".

The fair value of the shares granted to employees on the grant date, November 15, 2017 and May 30, 2018, as determined by a professional valuation firm was RMB289,000 and RMB188,000, respectively. The significant inputs into the Black-Scholes valuation model were listed as below:

	As at November 15, 2017	As at May 30, 2018
Expected volatility	38.00%	39.94%
Risk-free interest rate	3.84%	3.35%

The Group recorded aggregate RMB302,000 and RMB95,000 share-based compensation expense in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, respectively, for the aforesaid Pre-IPO Restricted Share Scheme Arrangement of Shanxian Hygeia Hospital.

28 SHARE-BASED PAYMENT(CONTINUED)

(c) Share Award Scheme of the Company

Gamma Star has entered into an employment contract, a supplement agreement to employment contract and a consultancy agreement with two senior management and one external consultant of the Group, (collectively, the "Incentive Targets") on August 8, 2017, August 21, 2017 and August 21, 2017 (collectively, the "Grant Date"), respectively (collectively, the "Engagement Agreements"). Pursuant to the Engagement Agreements, Gamma Star promised to grant its shares of 340,915, 243,511 and 65,277 to the Incentive Targets, respectively, representing 1.335% shares of Gamma Star (collectively, the "Onshore Share Awards").

On July 17, 2019, in order to fulfil the purpose of the Onshore Share Awards and due to the Reorganization, the Board of the directors approved and the Company signed the grant letters with the Incentive Targets (the "Share Awards") as the replacement of the Onshore Share Awards, granting the Incentive Targets an aggregate of 23,018 shares representing 1.335% of the Company.

In the event of voluntary resignation, termination or non-renewal of the Engagement Agreements by the certain Incentive Targets prior to (and up to) the Listing the Company has the rights to repurchase all their Awarded Shares at the initial subscription price. In the event of termination or non-renewal of the Engagement Agreements by the Company prior to (and up to) the Listing, the Company has the rights to repurchase all their Awarded Shares at a price of, whichever is higher, (i) 70% of the fair market value of the Awarded Shares as determined based on the Company's valuation in its latest round of equity financing prior to such termination or non-renewal, or; (ii) the initial subscription price.

The Incentive Targets obtained above Share Awards at a price lower than their fair value, such transactions was considered as equity-settled share-based payment. The Group amortized this share-based compensation expense since the date of the Engagement Agreements as the relevant services has been received since then and up to the Listing date.

The fair value of the Share Awards granted to the Incentive Targets on the grant date, as determined by a professional valuation firm was RMB28,725,000. The significant inputs into the Black-Scholes valuation model were listed as below:

	As at Grant Date
Expected volatility	38.03%
Risk-free interest rate	2.27%

The Group recorded aggregate RMB3,751,000 and RMB10,671,000 share-based compensation expense in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, respectively, for the aforesaid Share Award Scheme of the Company.

29 TRADE AND OTHER PAYABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade payables (a)	**118,452**	118,789
Salaries payable	**61,357**	48,329
Payables of considerations for acquisition of subsidiaries	**720**	1,720
Deposits payable	**4,080**	636
Other taxes payable	**9,587**	10,098
Payable of surcharge for tax overdue payment	**7,578**	7,578
Payables for construction projects	**15,515**	19,613
Prepayments received for radiotherapy equipment licensing	**10,659**	8,681
Dividend payable	**–**	41,941
Payables for intangible assets acquisition	**206**	1,030
Others	**9,114**	4,059
	237,268	262,474

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

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**100,135**	91,022
91 to 180 days	**8,253**	14,164
181 to 365 days	**2,783**	5,158
Over 1 year	**7,281**	8,445
	118,452	118,789

30 CONTRACT LIABILITIES

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

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Hospital Business		
– Outpatient services	**3,344**	1,887
– Inpatient services	**7,957**	7,189
Radiotherapy Business		
– Radiotherapy equipment maintenance service	**155**	150
– Radiotherapy equipment sales	**–**	656
	11,456	9,882

30 CONTRACT LIABILITIES (CONTINUED)

(a) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Hospital Business		
– Outpatient services	**1,887**	498
– Inpatient services	**7,189**	10,732
Radiotherapy Business		
– Radiotherapy equipment maintenance service	**656**	812
– Radiotherapy equipment sales	**–**	709
	9,732	12,751

All hospital business contracts are for periods of one year or less. Radiotherapy business contracts are for periods of more than one year with variable consideration based on revenue. Hence, the transaction prices allocated to these unsatisfied performance obligations are not disclosed.

31 DIVIDENDS

The board of directors recommended the payment of final dividend of RMB0.12 per share (in aggregate amounted to approximately RMB74.2 million) for the year ended December 31, 2020 which is subject to the approval by the shareholders at the annual general meeting of the Company. The final dividend is expected to be payable to the shareholders on or before July 26, 2021. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on July 7, 2021.

32 NET CASH GENERATED FROM OPERATION

Reconciliation from profit before income tax to cash generated from operations:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**252,612**	79,320
Adjustment for:		
Interest income *(Note 10)*	**(498)**	(629)
Interest expenses *(Note 10)*	**48,170**	95,516
Depreciation of property, plant and equipment *(Note 13)*	**72,124**	67,138
Amortization of intangible assets *(Note 14)*	**5,416**	4,144
Net loss on disposals of property, plant and equipment *(Note 7)*	**1,779**	2,937
Realised and unrealised gains on financial assets at FVPL *(Note 7)*	**(43,108)**	(5,217)
Share-based compensation expense *(Note 9)*	**4,072**	10,785
Fair value loss for anti-dilution rights given to Mr. Zhu *(Note 7)*	**–**	11,355
Effect of deferral of the redemption date of redeemable shares *(Note 26)*	**57,852**	–
Operating cash flows before changes in working capital	**398,419**	265,349
Changes in working capital:		
Increase in inventories	**(3,941)**	(5,999)
Increase in trade and other receivables, prepayments	**(62,003)**	(17,195)
Increase in trade and other payables, and contract liabilities	**16,892**	26,306
Cash generated from operations	**349,367**	268,461

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Net book amount	**3,132**	5,020
Net loss on disposal of property, plant and equipment	**(1,779)**	(2,937)
Proceeds from disposal of property, plant and equipment and intangible assets	**1,353**	2,083

For the years ended December 31, 2020 and 2019, save as disclosed in this report, the Group did not have any material non-cash investing and financing activities.

32 NET CASH GENERATED FROM OPERATION (CONTINUED)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in the debt for each of the period presented.

	Bank borrowings *RMB'000*	Lease liability *RMB'000*	Redeemable Shares *RMB'000*	Net loan balance due to related parties *RMB'000*
Balance as at January 1, 2019	56,000	132	1,647,674	105,853
Cash flows	(56,000)	(1,424)	255,471	(93,949)
Interest expenses	–	191	89,324	–
Lease addition	–	3,705	–	–
Non-cash addition recognition	–	–	37,601	–
Balance as at December 31, 2019	–	2,604	2,030,070	11,904
Balance as at January 1, 2020	**–**	**2,604**	**2,030,070**	**11,904**
Cash flows *(Note 26)*	**–**	**(1,507)**	**(28,059)**	**(11,904)**
Interest expenses	**–**	**141**	**48,029**	**–**
Lease addition	**–**	**1,246**	**–**	**–**
Non-cash decrease	**–**	**–**	**(2,050,040)**	**–**
Balance as at December 31, 2020	**–**	**2,484**	**–**	**–**

33 RELATED PARTY TRANSACTIONS

The Group

(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.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(a) Names and relationships with related parties (Continued)

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 years ended December 31, 2020 and 2019:

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
Xiangshang Investment (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 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

(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:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and bonus	**3,886**	4,010
Employer's contribution to retirement benefit plan	**23**	272
Allowances and benefits in kind	**208**	255
Share-based compensation expenses	**2,973**	9,608
	7,090	14,145

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(c) Transactions with related parties

For the years end December 31, 2020 and 2019, save as disclosed elsewhere in this accountant's report, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Recurring transactions		
Radiotherapy Business Revenue		
– Handan Renhe Hospital	**11,235**	7,709
– Kaiyuan Jiehua Hospital	**15,786**	10,021
– Shanghai Nianjian Investment and Management Co.,Ltd	**–**	521
Hospital Management Business Revenue		
– Handan Renhe Hospital	**2,534**	1,991
– Kaiyuan Jiehua Hospital	**5,190**	4,248
Depreciation on right-of-use assets and interest expense on lease liabilities		
– Ms. Zhu	**990**	1,039
– Shanghai Rongqiao Biotechnology Co., Ltd	**515**	380
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.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(d) Balances with related parties

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Amounts due from related parties		
Trade		
– Handan Renhe Hospital	**8,949**	3,132
– Kaiyuan Jiehua Hospital	**3,806**	–
– Shanghai Rongqiao Biotechnology Co., Ltd	**69**	–
Non-Trade		
– Handan Zhaotian Orthopedic Hospital	**–**	37
	12,824	3,169

The balances were unsecured, interest-free, and collectable on demand and are denominated in RMB.

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

The balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

34 COMMITMENTS

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

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**213,631**	34,943
Intangible assets	**539**	1,068
	214,170	36,011

35 SUBSEQUENT EVENTS

On January 25, 2021, the Company entered into a non-legally binding letter of intend with a potential vendor, pursuant to which the Company and/or its designated subsidiaries will conditionally acquire and the potential vendor will conditionally sell its 99% equity interest in a private for-profit Class III general hospital located in a prefecture-level city of the south china region.

36 PARTICULARS OF SUBSIDIARIES

The Company's subsidiaries comprising the Group at December 31, 2020 are set out below. All of these are limited liability companies and the country of incorporation or registration is also their principal place of business:

Name of subsidiaries	Place and date of incorporation/acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2020
Directly held:				
Hygeia BVI Limited	BVI, October 2, 2018	USD50	Investment holding	**100%**
Indirectly held:				
Hygeia Hong Kong Limited	Hong Kong, October 19, 2018	HKD10	Investment holding	**100%**
Gamma Star* (伽瑪星醫療科技發展(上海)有限公司)	PRC, January 10, 2007	RMB250,000	Corporate management	**100%**
Shanghai Qiushi Investment Management Co., Ltd.* (上海秋拾投資管理有限公司)	PRC, April 24, 2015	RMB80,000	Investment holding company	**100%**
Shanxian Hygeia Hospital * (單縣海吉亞醫院有限公司)	PRC, November 20, 2012	RMB234,187	Healthcare Services	**81.56%**
Jiangsu Gamma Star Medical Service Co., Ltd.* (江蘇伽瑪星醫療服務有限公司)	PRC, December 1, 2017	RMB10,000	Radiotherapy Service	**100%**

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2020
Indirectly held: (Continued)				
Jiangsu Hygeia Supply Chain Management Co., Ltd.* (江蘇海吉亞供應鏈管理有限公司)	PRC, November 21, 2017	RMB10,000	Supply chain	100%
Gamma Star Tech* (上海伽瑪星科技發展有限公司)	PRC, November 24, 2009	RMB150,000	Hospital management and production of our proprietary SRT equipment	100%
Chengwu Hygeia Hospital* (成武海吉亞醫院有限公司)	PRC, January 12, 2017	RMB26,000	Healthcare Services	100%
Chongqing Hygeia Hospital* (重慶海吉亞腫瘤醫院有限公司)	PRC, November 9, 2015	RMB71,429	Healthcare Services	100%
Heze Hygeia Hospital Co., Ltd.* (菏澤海吉亞醫院有限公司)	PRC, January 23, 2013	RMB157,143	Healthcare Services	100%
Anqiu Hygeia Hospital* (安丘海吉亞醫院有限公司)	PRC, December 26, 2016	RMB21,429	Healthcare Services	100%
Suzhou Suchen Medical Investment Development Co., Ltd.* (蘇州蘇辰醫療投資發展有限公司) (Suchen Medical Investment)	PRC, November 27, 2015	RMB12,000	Investment holding company	100%
Longyan Boai Hospital* (龍岩市博愛醫院有限公司)	PRC, September 8, 2015	RMB17,150	Healthcare Services	100%
Suzhou Canglang Hospital* (蘇州滄浪醫院有限公司)	PRC, November 27, 2015	RMB18,857	Healthcare Services	100%
Hygeia (Shanghai) Hospital Management Co., Ltd * (海吉亞(上海)醫院管理有限公司)	PRC, April 8, 2019	RMB50,000	Investment holding company	100%

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2020
Indirectly held: (Continued)				
Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司)	PRC, June 20, 2019	RMB50,000	Healthcare Services	100%
Dezhou Chongde Hospital Co., Ltd.* (德州崇德醫院有限公司)	PRC, December 18, 2019	RMB50,000	Healthcare Services	100%
Shanghai Gamma Star Medical Information Consulting Co., Ltd. (上海伽瑪星醫療資訊諮詢有限公司)	PRC, August 23, 2019	RMB10,000	Corporate management	100%
Liaocheng Hygeia Supply Chain Management Co., Ltd.* (聊城海吉亞供應鏈管理有限公司)	PRC, May 27, 2020	USD 50,000	Supply chain	100%
Wuxi Hygeia Hospital Co., Ltd* (無錫海吉亞醫院有限公司)	PRC, July 22, 2020	RMB50,000	Healthcare Services	100%
Shanghai Hygeia Medical Butler Enterprise Service Co., Ltd.* (上海海吉亞醫管家企業服務有限公司)	PRC, September 10, 2020	RMB1,000	Corporate management	100%
Dezhou Hygeia Supply Chain Management Co., Ltd.* (德州海吉亞供應鏈管理有限公司)	PRC, November 13, 2020	USD 10,000	Supply chain	100%
Hygeia Doctor Group (Shenzhen) Co., Ltd.* (海吉亞醫生集團(深圳)有限公司)	PRC, November 13, 2020	RMB1,000	Corporate management	100%
Dezhou Gamma Star Technology Development Co., Ltd.* (德州伽瑪星科技發展有限公司)	PRC, November 13, 2020	RMB65,100	Investment holding company	100%
Dezhou Qiushi Investment Management Co., Ltd.* (德州秋拾投資管理有限公司)	PRC, November 13, 2020	RMB65,100	Investment holding company	100%

37 BALANCE SHEET OF THE COMPANY

		As at December 31,	
	Notes	**2020** **RMB'000**	2019 RMB'000
ASSETS			
Non-current assets			
Amount due from a subsidiary		**2,426,618**	235,702
Investment in a subsidiary		**4,477,633**	4,473,882
Total non-current assets		**6,904,251**	4,709,584
Current assets			
Prepayments and other receivables		**–**	6,349
Amounts due from shareholders		**–**	–*
Cash and cash equivalents		**2,707**	20,211
Total current assets		**2,707**	26,560
Total assets		**6,906,958**	4,736,144
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**7,123,502**	2,731,464
Shares held for employee share scheme		**–***	–*
Other reserves	*37(a)*	**(37,601)**	(12,165)
Accumulated losses	*37(b)*	**(219,316)**	(79,048)
Total equity		**6,866,585**	2,640,251
LIABILITIES			
Non-current liabilities			
Redeemable shares		**–**	631,674
Total non-current liabilities		**–**	631,674
Current liabilities			
Trade and other payables		**2,376**	47,771
Amounts due to subsidiaries		**37,997**	18,052
Redeemable shares		**–**	1,398,396
Total current liabilities		**40,373**	1,464,219
Total liabilities		**40,373**	2,095,893
Total equity and liabilities		**6,906,958**	4,736,144

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

37 BALANCE SHEET OF THE COMPANY (CONTINUED)

(a) Reserve movement of the company

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**(12,165)**	–
Issuance of redeemable shares	**–**	(37,601)
Share-based compensation expense for a subsidiary	**3,752**	25,436
Exercise of employee share scheme	**(29,188)**	–
At the end of the year	**(37,601)**	(12,165)

(b) Accumulated losses of the company

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**(79,048)**	(2,300)
Loss for the year	**(140,268)**	(76,748)
At the end of the year	**(219,316)**	(79,048)

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended December 31, 2020:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2020							
Executive directors							
Mr. Zhu Yiwen (i)	–	37	–	–	4	4	45
Mr. Ren Ai	–	465	135	1,129	42	4	1,775
Ms. Cheng Huanhuan (ii)	–	446	121	–	39	3	609
Mr. Zhang Wenshan	–	328	59	–	41	4	432
Ms. Jiang Hui (iii)	–	518	73	–	42	4	637
Non-executive directors							
Mr. Fang Min	–	–	–	–	–	–	–
Mr. Zhao Yan (iv)	–	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–	–
Independent non-executive directors (v)							
Mr. Liu Yanqun	120	–	–	–	–	–	120
Mr. Chen Penghui	120	–	–	–	–	–	120
Mr. Ye Changqing	120	–	–	–	–	–	120
	360	1,794	388	1,129	168	19	3,858

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2019:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2019							
Executive directors							
Mr. Zhu Yiwen	–	684	–	–	46	49	779
Mr. Ren Ai	–	368	124	3,932	46	49	4,519
Ms. Cheng Huanhuan	–	247	91	–	35	37	410
Mr. Zhang Wenshan	–	281	119	–	41	43	484
Non-executive directors							
Mr. Fang Min	–	–	–	–	–	–	–
Mr. Zhao Yan	–	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–	–
	–	1,580	334	3,932	168	178	6,192

(i) Mr. Zhu Yiwen resigned from his positions as the executive director of the Company on January 20, 2020.

(ii) Ms.Cheng Huanhuan is also the Chief Executive Officer of the Group.

(iii) Ms. Jiang Hui was appointed as the Company's executive director on December 23, 2020.

(iv) Mr. Zhao Yan resigned from his positions as the non-executive director of the Company on December 23, 2020.

(v) Mr. Liu Yanqun, Mr. Chen Penghui and Mr. Ye Changqing were appointed as the Company's independent non-executive directors on September 18, 2019.

During the years ended December 31, 2020 and 2019, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended December 31, 2020 and 2019.

Definitions and Glossaries

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

"AGM"	annual general meeting of the Company
"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 the Controlling Shareholders of the Company
"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 the Company
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on June 8, 2020 which became effective on the Listing Date (as amended from time to time)
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"BoCom"	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and H shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Main Board of the Stock Exchange (Stock Code: 3328), respectively
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"CGB"	China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board

"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"China" or the "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Class III" or "Class III hospitals"	the largest and best regional hospitals designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"CMB"	China Merchants Bank (招商銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and H shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600036) and the Main Board of the Stock Exchange (Stock Code: 3968), respectively
"Company" or "Hygeia Healthcare"	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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals, details of which are described in the section headed "Directors' Report – Contractual Arrangements" in this annual report
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
"COVID-19"	Novel coronavirus pneumonia
"CT"	computerized tomography, a type of scan that makes use of computer-processed combinations of many X-ray images taken from different angles to produce cross-sectional tomographic images of specific areas of a scanned object, allowing the user to see inside the object without cutting

"Dezhou Hygeia Hospital"	Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司) (formerly known as Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司)), a limited liability company established in the PRC on December 18, 2019 and a subsidiary of the Company
"Director(s)"	director(s) of the Company
"Foreign Investment Catalogue"	Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017) (外商投資產業指導目錄 (2017年修訂)), promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on June 28, 2017 and amended on June 28, 2018 and June 30, 2019
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Gamma Star"	Shanghai Hygeia Medical Technology (Group) Co., Ltd. (上海海吉亞醫療科技(集團)有限公司) (formerly known as Gamma Star Medical Technology Development (Shanghai) Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司), Gamma Star Medical Industrial (Shanghai) Co., Ltd. (伽瑪星醫療工業(上海)有限公司)), a limited liability company established in the PRC on January 10, 2007 and a wholly-owned subsidiary of the Company
"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a wholly-owned subsidiary of the Company
"GFA"	gross floor area
"Group", "we", or "us"	the Company together with its subsidiaries
"Haiyue Kangjian"	Heze Haiyue Kangjian Medical Service Center (Limited Partnership) (菏澤市海悦康健醫療服務中心(有限合夥)), a limited partnership established in the PRC on May 9, 2018 and a platform for implementing the restricted share scheme of Shanxian Hygeia Hospital holding approximately 4.19% equity interest in Shanxian Hygeia Hospital
"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 the 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 the Managed Hospitals
"HDZ Healthcare"	Heze Development Zone Healthcare Information Technology Service Center (Limited Partnership) (菏澤開發區衛健醫療信息技術服務中心(有限合夥)), a limited partnership established in the PRC on April 21, 2017 and a platform for implementing the restricted share scheme of Shanxian Hygeia Hospital holding approximately 9.84% equity interest in Shanxian Hygeia Hospital

"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia College"	Hygeia College (海吉亞學院), an internal talent training and performance evaluation mechanism
"Hygeia Doctor Group"	Hygeia Doctor Group (Shenzhen) Co., Ltd. (海吉亞醫生集團(深圳)有限公司), a limited liability company established in the PRC on November 13, 2020 and a subsidiary of our Company
"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
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Jixiang Kangda"	Heze Jixiang Kangda Medical Service Center (Limited Partnership) (菏澤市吉祥康達醫療服務中心(有限合夥)), a limited partnership established in the PRC on May 10, 2018 and a platform for implementing the restricted share scheme of Shanxian Hygeia Hospital holding approximately 4.41% equity interest in Shanxian Hygeia Hospital
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital (開遠解化醫院), a private not-for profit hospital established under the laws of the PRC which the Group acquired on November 12, 2012 and one of the 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 the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
"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

Definitions and Glossaries

"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managed Hospitals"	Kaiyuan Jiehua Hospital (開遠解化醫院), Handan Renhe Hospital (邯鄲仁和醫院) and Handan Zhaotian Orthopedics Hospital (邯鄲兆田骨科醫院)
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MRI"	magnetic resonance imaging, a type of scan that uses strong magnetic fields and radio waves to produce detailed images of the inside of the body
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, a non-executive Director, vice Chairman and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), currently known as National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Nomination Committee"	the nomination committee of the Board
"oncology"	the branch of medicine that deals with cancer
"PCR"	polymerase chain reaction, a laboratory method used for making a very large number of copies of short sections of deoxyribonucleic acid (DNA) from a very small sample of genetic material
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells, B-cells and macrophages. The normal function of PD-1 is to turn off the T-cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T-cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T-cell turns off its ability to kill the cell
"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 precise alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by computed tomography scanning

"Prospectus"	the prospectus of the Company published on June 16, 2020
"public medical insurance programs"	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
"Radiotherapy Center Services"	the services 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 the proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the proprietary SRT equipment
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2020 to December 31, 2020
"RMB" or "Renminbi"	the lawful currency of the PRC
"SCI"	Science Citation Index, a multidisciplinary citation index
"SFC"	the Securities and Futures Commission of Hong Kong
"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 ESOP Platforms"	HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian, all of which were established as platforms for implementing the restricted share scheme of Shanxian Hygeia Hospital, and owned an aggregate of 18.44% equity interest in Shanxian Hygeia Hospital
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd. (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 each

"Shareholder(s)"	holder(s) of the Shares
"SPDB"	Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600000)
"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
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Suchen Medical Investment"	Suzhou Suchen Medical Investment Development Co., Ltd. (蘇州蘇辰醫療投資發展有限公司) (formerly known as Suzhou Suchen Investment Development Co., Ltd. (蘇州蘇辰投資發展有限公司)), a limited liability company established in the PRC on September 3, 2002 and a wholly-owned subsidiary of the Company
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
"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, Dezhou Hygeia Hospital and Wuxi Hygeia Hospital
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd. (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively

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