HYGEIA

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

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

海通國際
HAITONG

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

华泰国际
HUATAI INTERNATIONAL

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

Hygeia Healthcare Holdings Co., Limited
海吉亚医疗控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**120,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**12,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**108,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$18.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**6078**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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华泰国际 HUATAI INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or about Friday, June 19, 2020 and, in any event, not later than Monday, June 22, 2020. The Offer Price will be not more than HK$18.50 per Offer Share and is currently expected to be not less than HK$17.00 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$18.50 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$18.50 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Monday, June 22, 2020 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Representatives (for themselves and on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Company's website at **www.hygeia-group.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

June 16, 2020

Public offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Tuesday, June 16, 2020
Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways[2]:	
(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**	
(2) the designated website **www.hkeipo.hk**	11:30 a.m. on Friday, June 19, 2020
Application lists for the Hong Kong Public Offering open[3]	11:45 a.m. on Friday, June 19, 2020
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, June 19, 2020
Latest time to complete payment of **HK eIPO White Form** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 19, 2020
Application lists close[3]	12:00 noon on Friday, June 19, 2020
Expected Price Determination Date[5]	Friday, June 19, 2020
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.hygeia-group.com.cn** on or before[6][8]	Friday, June 26, 2020

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") from[8] .... Friday, June 26, 2020

Results of allocations for the Hong Kong Public Offering will be available at the "Allotment Result" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function[8] .... Friday, June 26, 2020

Share certificates (if applicable) in respect of wholly or partially successful applications to be despatched on or before[8] .... Friday, June 26, 2020

e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before[7][8] .... Friday, June 26, 2020

Dealings in Shares on the Stock Exchange to commence on[8] ..... 9:00 a.m. on Monday, June 29, 2020

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning, an announcement of "extreme conditions" by the government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2020, the application lists will not open and close on that day. An announcement will be made in such event. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – 5. Applying through the HK eIPO White Form Service" for details.

(5) The Offer Price is expected to be determined by Friday, June 19, 2020, but in any event, the expected time for determination of the Offer Price will not be later than Monday, June 22, 2020. If, for any reason, the Offer Price is not agreed between the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company by Monday, June 22, 2020, the Global Offering will not proceed.

(6) If the Offer Price is determined on Friday, June 19, 2020, the announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares and the successful applicants' identification document numbers will be published on or before Friday, June 26, 2020.

(7) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and are eligible to collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2020 or such other date as notified by us in the newspapers. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraphs headed "14. Dispatch/Collection of Share Certificates and Refund Monies" in the section headed "How to Apply for Hong Kong Offer Shares."

(8) In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, June 16, 2020 to Monday, June 29, 2020, then the day of (i) announcement of results of allocations in the Hong Kong Public Offer; (ii) despatch of Share certificates and refund cheques/HK eIPO White Form e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed. An announcement will be made in such event.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, June 26, 2020, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (1) the Global Offering has become unconditional in all respects and (2) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Global Offering."

The above expected timetable is a summary only. You should refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

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.

China is a large and fast growing market for oncology healthcare services. According to Frost & Sullivan, cancer incidence in China grew from approximately 4.0 million in 2015 to approximately 4.4 million in 2019, and is expected to grow further to approximately 5.1 million in 2025. Radiotherapy is one of the most common oncology treatment options. However, radiotherapy is significantly under-penetrated in China compared to developed countries, indicating great potential for further growth. Leveraging our market leadership, we believe that we are well positioned to capture the significant opportunities in this underserved market.

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 Latest Practicable Date, we operated or managed a network of 10 oncology-focused hospitals through our direct equity ownership or management rights, spanning across seven cities in six Provinces in China. In addition, we are currently providing services to 15 hospital partners (including our Managed Hospitals) in connection with their radiotherapy centers, which were located in nine Provinces in China.

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

One of our core competitive strengths that underpins our market leadership is our high-caliber and multi-disciplinary team of medical professionals, enabling us to treat cancer and other complex diseases with multiple approaches. With our proprietary SRT equipment, we operate a vertically integrated radiotherapy service model in delivering radiotherapy treatment to oncology patients, which has enabled us to capture synergies across the entire value chain, thus providing us with unique advantages in operating efficiency and profitability.

We experienced significant growth during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019, total patient visits of our in-network hospitals were 691,400, 760,776 and 946,637, respectively, while total patient visits of our in-network radiotherapy centers for radiotherapy treatment using our proprietary SRT equipment were 57,613, 58,056 and 59,207, respectively, for the same periods. Our revenue increased from RMB596.5 million in 2017 to RMB1,085.8 million in 2019, representing a CAGR of 34.9%. Our adjusted net profit, a non-IFRS measure, increased from RMB48.5 million in 2017 to RMB171.5 million in 2019, representing a CAGR of 88.0%. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items" for a reconciliation of (loss)/profit and total comprehensive (loss)/income to adjusted net profit. With a strategic focus on oncology, revenue generated from our oncology-related services accounted for 43.7%, 43.8% and 46.1%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019. Revenue generated from our oncology-related services increased with a CAGR of 38.6% from RMB260.7 million in 2017 to RMB500.9 million in 2019, showing a much faster growth than the overall oncology hospital market and the private oncology hospital market in China. Please see "Industry Overview – Overview of Oncology Healthcare Service Market in China – Market Size" for oncology healthcare service revenue generated by public and private oncology hospitals in China.

OUR BUSINESS MODEL

Hospital Business

With a strategic focus on oncology, we generate revenue from provision of healthcare services in a wide range of specialties, including oncology, orthopedics, traditional Chinese medicine, urology, gynecology, rehabilitation, renal hemodialysis and emergency care, to our patients through our self-owned private for-profit hospitals. In terms of treatment process, we generate revenue primarily from inpatient healthcare services and outpatient healthcare services. Inpatient healthcare services refer to the treatment of patients who are hospitalized overnight or for an indeterminate period of time, usually several days or weeks, subject to the patients' conditions and recovery. Outpatient healthcare services refer to the treatment of patients who are hospitalized for less than 24 hours. Please see "Business – Our Hospital Business" for more details.

Third-Party Radiotherapy Business

We provide Radiotherapy Center Services to certain hospital partners, primarily private hospitals, in connection with their radiotherapy centers. Pursuant to the cooperation agreements we entered into with our hospital partners, our services primarily comprise (i) provision of radiotherapy center consulting services, including advising on the design of construction and renovation of radiotherapy center infrastructure, training of medical professionals and other relevant staff on the operation of our proprietary SRT equipment, and clinical experience sharing and consultation; (ii) licensing of our proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment. We assign designated personnel on-site, when necessary, for installation and maintenance of our proprietary SRT equipment and training of medical professionals and other relevant staff on the operation of the equipment. In return, we are generally entitled to a percentage of revenue generated directly from use of our proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant cooperation agreements. Please see "Business – Our Oncology-Related Service Offerings – Our Third-Party Radiotherapy Business" for more details.

During the Track Record Period, we also licensed our proprietary SRT equipment to certain other customers, primarily Gamma Star Industrial, and provide maintenance and technical support services to such other licensees of our proprietary SRT equipment, in exchange for a monthly fixed service fee.

To a much lesser extent, during the Track Record Period, we derived revenue from sales of our proprietary SRT equipment to certain Independent Third Party customers and providing maintenance and technical support services to certain other customers in exchange for a fixed service fee.

Hospital Management Business

We manage and operate, and receive management fees from, private not-for-profit hospitals in which we hold organizer's interest. Pursuant to the hospital management agreements, we are responsible for supervision and management of the hospitals' daily operations, including, among others, advising on establishment and implementation of management system, supervising and advising on procurement of pharmaceuticals, medical consumables and medical equipment, introducing medical professionals and medical equipment, staff training, renovation of hospital infrastructure, improvement of information technology infrastructure, and building specialty departments, in exchange for management fees calculated as a fixed percentage of the revenue of the Managed Hospitals for a period of 40 years. Please see "Business – Our Hospital Management Business" for more details.

For-profit and not-for-profit hospitals are classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Not-for-profit hospitals are not allowed to distribute profit to their organizers as economic interests. Please see "Regulatory Overview – Regulations on the Classification of

Medical Institutions" for more details. All of our Managed Hospitals are not-for-profit hospitals. Although we hold organizer's interest in our Managed Hospitals, we did not have control over their material business matters, nor were we entitled, pursuant to relevant PRC laws and regulations, to receive economic interests from them through dividends or other form of distribution, or to receive any residual assets upon their liquidation. Therefore, we do not consolidate the financial results of our Managed Hospitals. Please see "Business – Our Hospital Management Business" for more details.

OUR SUPPLIERS AND CUSTOMERS

Our Suppliers

Our in-network hospitals primarily require pharmaceuticals and medical consumables for their operations. We have a centralized procurement management team at our headquarters, which is responsible for approving supply channels and negotiating the terms for our purchases. Each of our in-network hospitals consolidates and regularly reports its procurement needs to our centralized procurement management team, which then aggregates all procurement needs and selects quality suppliers. Our in-network hospitals place purchase orders with the selected suppliers with quantities and purchase prices approved by our centralized procurement management team. We believe centralized procurement allows us to achieve economies of scale and to better control the quality of the pharmaceuticals and medical consumables we procure.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service or product quality and delivery schedule. Our suppliers are required to possess all licenses and permits necessary to conduct their operations, including GMP and/or GSP certifications. Only those suppliers which fulfill all our selection criteria are selected.

For the years ended December 31, 2017 2018 and 2019, purchases from our five largest suppliers collectively accounted for approximately 36.5%, 38.5% and 34.0% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for approximately 12.4%, 19.2% and 10.2% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprise pharmaceutical suppliers and radiotherapy center service providers. We have had relationships with our five largest suppliers for one year to five years as of the Latest Practicable Date. As of the Latest Practicable Date, all of our five largest suppliers during the Track Record Period were Independent Third Parties, and to the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest suppliers. Please see "Business – Our Suppliers and Procurement" for more details.

Our Customers

Our customers primarily fall into four categories: (i) patients that receive healthcare services at our self-owned hospitals; (ii) hospital partners for our Radiotherapy Center Services; (iii) other licensees of our proprietary SRT equipment; (iv) our Managed Hospitals; and (v) customers which purchased our proprietary SRT equipment.

For the years ended December 31, 2017, 2018 and 2019, revenue from our five largest customers collectively accounted for approximately 15.2%, 11.0% and 7.9% of our total revenue during the same periods, respectively, and revenue from our largest customer accounted for approximately 6.5%, 3.6% and 3.4% of our total revenue during the same periods, respectively. Our five largest customers during the Track Record Period comprise our Managed Hospitals, hospital partners for our Radiotherapy Center Services, other licensees of our proprietary SRT equipment and the purchasers of our proprietary SRT equipment. We have had relationships with our five largest customers for two years to nine years as of the Latest Practicable Date. As of the Latest Practicable Date, other than our Managed Hospitals, all of our five largest customers during the Track Record Period were Independent Third Parties, and to the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest customers. Please see “Business – Our Customers” for more details.

OUR IN-NETWORK HOSPITALS AND RADIOTHERAPY CENTERS

The following table sets forth a summary of our in-network hospitals as of December 31, 2019:

	Hospital[1]	Location	GFA	Nature	Established/ acquired	Date of acquisition	Date of commencement of operations[2]	Number of physicians[3]	Number of other medical professionals[4]	Registered beds	Occupancy rate of registered beds[5] for the year ended December 31, 2017	2018	2019
			(sq.m.)										
Self-owned													
1.	Longyan Boai Hospital	Longyan, Fujian	24,047.85	Private for-profit Class IIB general hospital	Acquired	September 2015	N/A	137	240	390	82.3%	94.1%	100.6%[6]
2.	Suzhou Canglang Hospital	Suzhou, Jiangsu	14,975.45	Private for-profit Class IIB general hospital	Acquired	November 2015	N/A	171	183	291	98.9%	94.7%	89.9%
3.	Shanxian Hygeia Hospital	Heze, Shandong	72,024.23	Private for-profit Class II general hospital[7]	Established	N/A	May 2016	166	404	400	245.6%[6]	207.8%[6]	206.1%[6]
4.	Anqiu Hygeia Hospital	Anqiu, Shandong	6,897.75	Private for-profit Class I general hospital[7]	Acquired	December 2016	July 2018	8	17	99	–	1.9%	17.9%
5.	Chengwu Hygeia Hospital	Heze, Shandong	7,149.55	Private for-profit Class II general hospital[7]	Acquired	January 2017	N/A	43	94	120	48.9%	34.2%	68.8%
6.	Chongqing Hygeia Hospital	Shapingba District, Chongqing	28,219.88	Private for-profit Class II oncology specialty hospital[7]	Established	N/A	April 2018	88	191	200	–	50.4%	123.9%[6]
7.	Heze Hygeia Hospital	Heze, Shandong	52,171.86	Private for-profit Class II general hospital[7]	Established	N/A	December 2018	83	142	260	–	1.6%	72.7%
Managed													
8.	Handan Renhe Hospital	Handan, Hebei	11,564.19	Private not-for-profit general hospital[8]	Acquired	July 2011	June 2012	43	46	90	132.6%[6]	114.2%[6]	107.5%[6]
9.	Kaiyuan Jiehua Hospital	Kaiyuan, Yunnan	15,249.00	Private not-for-profit Class II general hospital[7]	Acquired	November 2012	N/A	22	79	186	263.3%[6]	342.8%[6]	458.5%[6]
10.	Handan Zhaotian Hospital	Handan, Hebei	7,124.95	Private not-for-profit orthopedics specialty hospital[8]	Acquired	August 2015	August 2016[9]	N/A[9]	N/A[9]	N/A[9]	6.9%	7.9%	–[9]
Total			239,424.71					761	1,396	2,036			

Notes:

(1) In addition to the 10 in-network hospitals set forth in the table above, we also operated one self-owned hospital during the Track Record Period, namely, Qufu Hospital. As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

(2) For our self-established hospitals, date of commencement of operations refers to the date when the hospital opened for service. With respect to Anqiu Hygeia Hospital, Handan Renhe Hospital and Handan Zhaotian Hospital, which were abandoned and not in operation immediately prior to our acquisition, date of commencement of operations refers to the date when the hospital resumed operations as a result of our integration efforts. With respect to the remaining hospitals acquired by us, their operations were not interrupted immediately before and after our acquisition and thus the date of commencement of operations is considered not applicable.

(3) Number of physicians includes both full-time physicians and part-time physicians.

(4) Number of other medical professionals includes primarily physician assistants, nurses, pharmacists, radiographers and laboratory technicians.

(5) Calculated as the inpatient bed-days, being the actual number of beds occupied by their inpatients on each day aggregated over the course of the relevant period, divided by the total number of registered beds on each day aggregated over the course of such period, multiplied by 100%.

(6) Occupancy rate of registered beds exceeded 100% due to the addition of temporary beds to satisfy demand, which we believe was in line with our and our Managed Hospitals' social responsibilities. We have consulted with the competent local healthcare administrative authorities as advised by our PRC Legal Advisors and the competent authorities have advised us that (i) the relevant PRC laws and regulations do not explicitly state that beds in operation exceeding registered beds constitutes a violation of the PRC law; (ii) the relevant in-network hospitals were never imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on the relevant in-network hospitals; and (iii) the relevant in-network hospitals are allowed to continue to operate in such manner.

(7) Sub-classification is not compulsory to such in-network hospitals.

(8) Specific classifications were not assigned to such in-network hospitals by the competent local healthcare administrative authorities.

(9) Handan Zhaotian Hospital commenced renovation in December 2018 and is currently not in operation. It is expected to resume its operations by the end of 2020. Handan Zhaotian Hospital was originally designed as an orthopedics specialty hospital upon its establishment. In line with its long-term strategy to transform into an oncology-focused hospital, Handan Zhaotian Hospital decided to invest to improve its infrastructure and gradually procure certain large-scale radiotherapy and other medical equipment within a few years after it resumes operations. We expect Handan Zhaotian Hospital to incur capital expenditures of approximately RMB0.7 million for the renovation and approximately RMB19.3 million for the procurement of medical equipment, which will be funded by its own financial resources.

Currently, we are providing services to 15 hospital partners (including our Managed Hospitals) in connection with their radiotherapy centers, which were located in nine Provinces in China. The cooperation term between such hospital partners and us ranges from three years to 15 years. In addition, as of the Latest Practicable Date, we had entered into cooperation agreements with 23 additional hospital partners in connection with their radiotherapy centers, which were located in 13 Provinces, including Shandong, Anhui, Jiangsu, Jiangxi, Hunan, Ningxia, Hebei, Henan, Tibet, Guizhou, Liaoning, Guangdong and Sichuan. We expect these 23 additional radiotherapy centers to commence operations within a few years.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- The largest oncology healthcare group in China, well positioned to capture the significant unmet demand.
- An extensive and nationwide footprint of oncology-focused hospitals and radiotherapy centers.
- A high-caliber and multi-disciplinary team of medical professionals.
- Unique and vertically integrated radiotherapy service model underpinned by our proprietary SRT equipment.
- Highly scalable business model empowered by our centralized and standardized management system.
- Experienced and visionary management team with strong support from Shareholders.

OUR STRATEGIES

We plan to implement the following strategies:

- Expand our network of oncology-focused hospitals and radiotherapy centers.
- Upgrade our existing in-network hospitals to increase our service capacity and widen our service offering.
- Continue to improve the quality of healthcare services provided by our in-network hospitals and further enhance our brand awareness.
- Further centralize key functionalities and streamline our operations.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Offer Shares. Some of the major risks that we face include:

- 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 our business operations and future expansion.

- Our 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 our results of operations.

- Regulatory pricing controls may affect the pricing of our in-network hospitals.

- We conduct our business in a heavily regulated industry and incur on-going compliance costs.

- Our 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 our brand image, reputation and results of operations.

- If our Managed Hospitals and hospital partners decide to terminate or not to renew our cooperation arrangements, our revenue and profitability may suffer.

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

- We have recognized a large amount of goodwill. If our goodwill was determined to be impaired, it could adversely affect our results of operations and financial position.

OUR CONTROLLING SHAREHOLDERS

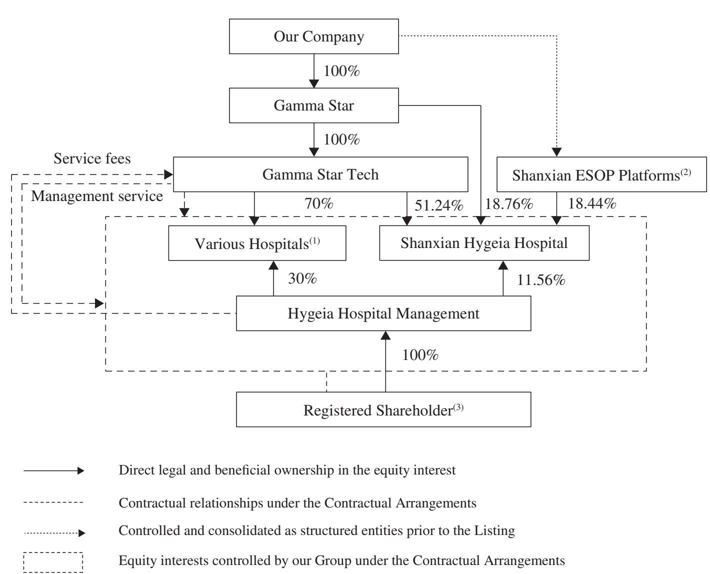
Our Controlling Shareholders are Mr. Zhu and Ms. Zhu and the entities controlled by them, namely Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree. Mr. Zhu and Ms. Zhu entered into a concert party confirmation to confirm and acknowledge the nature of their relationship. For details of the concert party confirmation, please see the section headed "History, Reorganization and Corporate Structure – Reorganization – Concert Party Arrangement." Immediately after the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will be collectively interested in and will control an aggregate of 46.17% of the voting power of our Company and will remain as our Controlling Shareholders upon Listing. For more details, please see the section headed "Relationship with Our Controlling Shareholders."

PRE-IPO INVESTORS

In order to further develop our Group's business and benefit from the institutional investors' industry knowledge and experience, several Pre-IPO Investors, including Fountain Grass, Harmony Healthcare, Xinrunheng, Long Hill, WuXi AppTec, Huagai Xincheng and Utru Star, were introduced to become shareholders of our Group. For details, please see the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments."

CONTRACTUAL ARRANGEMENTS

The Contractual Arrangements apply to the 30% equity interest in Various Hospitals and the 11.56% equity interest in Shanxian Hygeia Hospital. The following simplified diagram illustrates the flow of economic benefits from our VIE Hospitals to our 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 and Dezhou 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 our Group and we have 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 our Company when preparing the consolidated financial statements. After the Listing, we will not consolidate the Shanxian ESOP Platforms. For details, please refer to Notes 29(b) and 39 to the Accountant's Report in Appendix I to this prospectus.

(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 HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this prospectus.

Summary of Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2017	**2018**	**2019**
	(RMB'000)		
Revenue	596,480	766,142	1,085,826
Cost of revenue	(427,172)	(527,407)	(755,706)
Gross profit	169,308	238,735	330,120
Selling expenses	(34,713)	(32,781)	(15,419)
Administrative expenses	(97,504)	(101,574)	(136,272)
Other income	3,772	4,150	4,895
Other gains/(losses) – net	7,524	(2,988)	(9,117)
Operating profit	48,387	105,542	174,207
Finance income	411	175	629
Finance costs	(73,537)	(78,454)	(95,516)
Finance costs – net	(73,126)	(78,279)	(94,887)
(Loss)/profit before income tax	(24,739)	27,263	79,320
Income tax expense	(21,771)	(24,845)	(39,553)
(Loss)/profit for the year	(46,510)	2,418	39,767

We recorded net loss of RMB46.5 million for the year ended December 31, 2017, primarily due to non-cash interest expenses of redeemable Shares of RMB65.5 million and share-based compensation expenses of RMB27.1 million recorded during the same period.

Revenue

Revenue by Service Offerings

The following table sets forth our revenue by service offerings for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Hospital Business						
Outpatient healthcare services	146,338	24.5	191,150	24.9	264,834	24.4
Inpatient healthcare services	313,965	52.7	439,722	57.4	679,893	62.6
Sub-total	460,303	77.2	630,872	82.3	944,727	87.0
Third-party Radiotherapy Business						
Radiotherapy center consulting services	34,842	5.8	45,491	5.9	46,237	4.3
Radiotherapy equipment licensing	48,369	8.1	49,134	6.4	49,844	4.6
Radiotherapy equipment maintenance services	33,278	5.6	34,297	4.6	31,699	2.9
Radiotherapy equipment sales	18,616	3.1	–	–	7,080	0.6
Sub-total	135,105	22.6	128,922	16.9	134,860	12.4
Hospital Management Business	1,072	0.2	6,348	0.8	6,239	0.6
Total	596,480	100.0	766,142	100.0	1,085,826	100.0

The following table sets forth a breakdown of revenue generated from our oncology-related services and non-oncology related services for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Oncology-related services						
Radiotherapy-related services						
Radiotherapy treatment services provided by self-owned hospitals	18,424	3.1	46,773	6.0	100,731	9.3
Third-party radiotherapy business	135,105	22.6	128,922	16.9	134,860	12.4
	153,529	25.7	175,695	22.9	235,591	21.7
Other oncology healthcare services	107,126	18.0	160,218	20.9	265,320	24.4
Subtotal	260,655	43.7	335,913	43.8	500,911	46.1
Non-oncology related services	335,825	56.3	430,229	56.2	584,915	53.9
Total revenue	596,480	100.0	766,142	100.0	1,085,826	100.0

The following table sets forth the number of patient visits and average spending per patient visit of our self-owned hospitals for the years indicated:

	Year ended December 31,		
	2017	2018	2019
Inpatient healthcare services			
Number of inpatient visits	40,074	42,040	59,197
Average spending per inpatient visit (RMB)	7,834.6	10,459.6	11,485.3
Outpatient healthcare services			
Number of outpatient visits	622,032	689,049	846,374
Average spending per outpatient visit (RMB)	235.3	277.4	312.9

During the Track Record Period, the number of our inpatient visits and outpatient visits increased mainly due to (i) organic growth of our existing self-owned hospitals; and (ii) newly established or acquired hospitals whose operations commenced and ramped up during the relevant period. The fluctuations in average spending per patient visit were primarily attributable to (i) a newly established hospital whose operations commenced and ramped up during the relevant period, which had relatively higher average spending per patient visit than that of our other self-owned hospitals as it is a municipality with higher level of discretionary spending power; (ii) increases in number of patient visits for certain of our healthcare services such as orthopedics healthcare services and oncology healthcare services, which had relatively higher average spending per patient visit than that of our other healthcare services; (iii) fluctuations in guideline prices set by the relevant local health administrative authority; and (iv) lesser discounts offered as our patient base expands. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items – Revenue" for more details.

The following table sets forth the number of patient visits and average spending per patient visit of Anqiu Hygeia Hospital, Chengwu Hygeia Hospital, Chongqing Hygeia Hospital and Heze Hygeia Hospital, which were established or acquired by us during the Track Record Period (collectively, the "**newly established and acquired hospitals**"), and Longyan Boai Hospital, Suzhou Canglang Hospital, Shanxian Hygeia Hospital and Qufu Hospital (collectively, the "**existing hospitals**") for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
Inpatient healthcare services			
Number of inpatient visits of newly established and acquired hospitals[(1)]	2,140	4,643	16,498
Number of inpatient visits of existing hospitals	37,934	37,397	42,699
Average spending per inpatient visit of newly established and acquired hospitals (RMB)[(1)]	3,256.8	12,018.0	13,428.6
Average spending per inpatient visit of existing hospitals (RMB)	8,092.9	10,266.1	10,734.4

Notes:

(1) Number of inpatient visits and average spending per inpatient visit of newly established and acquired hospitals in 2017 is not comparable to those in 2018 and 2019, because in 2017 there was only one newly established and acquired hospital, namely, Chengwu Hygeia Hospital.

	Year ended December 31,		
	2017	2018	2019
Outpatient healthcare services			
Number of outpatient visits of newly established and acquired hospitals	30,698	56,770	135,341
Number of outpatient visits of existing hospitals	591,334	632,279	711,033
Average spending per outpatient visit of newly established and acquired hospitals (RMB)	153.1	222.2	328.4
Average spending per outpatient visit of existing hospitals (RMB)	239.5	282.4	309.9

The following table sets forth the contribution of each in-network hospital to our revenue for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Self-owned hospitals						
Shanxian Hygeia Hospital	207,782	34.8	247,204	32.3	283,337	26.1
Suzhou Canglang Hospital	117,937	19.8	162,420	21.2	229,850	21.2
Longyan Boai Hospital	116,141	19.5	148,244	19.3	165,543	15.2
Chongqing Hygeia Hospital	–	–	48,872	6.4	170,317	15.7
Chengwu Hygeia Hospital	11,670	2.0	18,332	2.4	30,445	2.8
Qufu Hospital(1)	6,773	1.1	4,590(1)	0.6	–	–
Anqiu Hygeia Hospital	–	–	337	0.04	3,729	0.3
Heze Hygeia Hospital	–	–	873	0.1	61,506	5.7
Total revenue of hospital business	460,303	77.2	630,872	82.3	944,727	87.0
Managed Hospitals						
Handan Renhe Hospital(2)	219	0.04	1,905	0.2	1,991	0.4
Kaiyuan Jiehua Hospital(2)	853	0.2	4,315	0.6	4,248	0.2
Handan Zhaotian Hospital(2)(3)	–	–	128	0.02	–	–
Total revenue of hospital management business	1,072	0.2	6,348	0.8	6,239	0.6

Notes:

(1) As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018, and therefore, for the year ended December 31, 2018, we only consolidated the revenue from Qufu Hospital prior to October 1, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

(2) Revenue we generated from our Managed Hospitals does not include revenue generated from provision of Radiotherapy Center Services to our Managed Hospitals. Please see "Business – Our Network of Hospitals and Radiotherapy Centers – Our Network of Radiotherapy Centers."

(3) Pursuant to the hospital management agreement we entered into with Handan Zhaotian Hospital, we have agreed to waive its management fees in 2017. Handan Zhaotian Hospital commenced renovation in December 2018 and is expected to resume its operations by the end of 2020.

Gross Profit

Gross Profit/(Loss) and Gross Profit/(Loss) Margin by Service Offerings

The following table sets forth a breakdown of our gross profit/loss and gross profit/loss margin by service offerings for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000, except percentages)					
Hospital Business	86,847	18.9%	156,731	24.8%	238,754	25.3%
Third-party Radiotherapy Business	83,229	61.6%	77,701	60.3%	87,064	64.6%
Hospital Management Business	(768)	(71.6)%	4,303	67.8%	4,302	69.0%
Total	169,308	28.4%	238,735	31.2%	330,120	30.4%

The increase in the gross profit margin of our hospital business during the Track Record Period was primarily due to our enhanced operating efficiency and greater economies of scale we enjoyed due to increased number of patient visits. The gross profit margin of our third-party radiotherapy business remained relatively stable in 2017 and 2018, while the increase in 2019 was primarily due to substantially improved margin performance of one of our in-network radiotherapy centers in 2019. We recorded a relatively high gross profit margin for our third-party radiotherapy business during the Track Record Period, primarily due to our vertically integrated radiotherapy service model. With our proprietary SRT equipment, we avoid incurring substantial amount of costs in connection with purchasing or leasing third-party equipment. The fluctuations in the gross profit/loss margin of our hospital management business were primarily due to changes in management fee rate during the relevant period. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items – Gross Profit" for more details.

Gross Profit/Loss and Gross Profit/Loss Margin by Our Self-owned Hospitals

The following table sets forth a breakdown of our gross profit/loss and gross profit/loss margin by each of our self-owned hospitals for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	(RMB'000, except percentages)					
Shanxian Hygeia Hospital	37,846	18.2%	63,664	25.8%	80,693	28.5%
Suzhou Canglang Hospital	18,466	15.7%	48,459	29.8%	52,225	22.7%
Longyan Boai Hospital	27,775	23.9%	40,959	27.6%	46,227	27.9%
Chongqing Hygeia Hospital	–	–	2,335	4.8%	49,996	29.4%
Chengwu Hygeia Hospital	2,804	24.0%	4,654	25.4%	7,444	24.5%
Qufu Hospital(1)	(43)	(0.6)%	(875)	(19.1)%	–	–
Anqiu Hygeia Hospital	–	–	(943)	(280.0)%	(822)	(22.0)%
Heze Hygeia Hospital	–	–	(1,522)	(174.3)%	2,991	4.9%
Total gross profit of hospital business	86,847	18.9%	156,731	24.8%	238,754	25.3%

Notes:

(1) As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018, and therefore, for the year ended December 31, 2018, we only consolidated the gross profit from Qufu Hospital prior to October 1, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

The gross profit margin of Chongqing Hygeia Hospital increased significantly from 4.8% in 2018 to 29.4% in 2019, the gross loss margin of Anqiu Hygeia Hospital decreased significantly from 280.0% in 2018 to 22.0% in 2019, and Heze Hygeia Hospital recorded a gross profit margin of 4.9% in 2019, compared to gross loss margin of 174.3% in 2018, primarily because these three hospitals commenced operations in April 2018, July 2018 and December 2018, respectively. New hospitals generally have lower income and higher operating costs and therefore may record gross loss margin or have relatively low gross profit margin during the initial stages of their operations.

The gross profit margin of Shanxian Hygeia Hospital increased from 18.2% in 2017 to 25.8% in 2018, primarily due to a significant increase in the reimbursable amounts under the public medical insurance programs from the local medical insurance bureau. Shanxian Hygeia Hospital was assigned a comparatively lower government-approved quota in 2017, because Shanxian Hygeia Hospital just commenced operations in 2016 and the local public medical insurance bureau was conservative when assigning its 2017 quota.

The gross profit margin of Suzhou Canglang Hospital increased from 15.7% in 2017 to 29.8% in 2018, primarily due to the one-off professional service fees we paid to three third-party consultants in 2017. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items – Cost of Revenue" for details.

Non-IFRS Measures – Adjusted EBITDA and Adjusted Net Profit

We define adjusted EBITDA, a non-IFRS measure, as EBITDA (which is (loss) or profit before income tax plus finance costs, depreciation of property, plant and equipment, and amortization of intangible assets, less finance income) for the year/period adjusted by adding back share-based compensation expenses, expenses in relation to the Listing and fair value loss for anti-dilution rights given to Mr. Zhu. We define adjusted net profit, a non-IFRS measure, as (loss)/profit and total comprehensive (loss)/income for the year/period adjusted for items which are non-recurring or extraordinary, including share-based compensation expenses, interest expense of redeemable Shares, expenses in relation to the Listing and fair value loss for anti-dilution rights given to Mr. Zhu. In particular, interest expense of redeemable Shares and fair value loss for anti-dilution rights given to Mr. Zhu will not recur after the Listing as upon the Listing, the redeemable Shares will be derecognized and the anti-dilution rights given to Mr. Zhu will expire. Please see "Financial Information – Key Factors Affecting Our Results of Operations – Redeemable Shares." Adjusted EBITDA and adjusted net profit are not required by, or presented in accordance with, IFRS. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, an analysis of, our results of operations or financial condition as reported under IFRS. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items" for details.

The following table shows our EBITDA, adjusted EBITDA and adjusted net profit for the years indicated:

	Year ended December 31,		
	2017	2018	2019
		(RMB'000)	
(Loss)/profit before income tax	(24,739)	27,263	79,320
Adjustments:			
Finance costs	73,537	78,454	95,516
Depreciation of property, plant and equipment	38,968	45,868	67,136
Amortization of intangible assets	2,717	3,062	4,146
Finance income	(411)	(175)	(629)
EBITDA	90,072	154,472	245,489
Adjustments:			
Share-based compensation expenses	27,084	12,629	10,785
Fair value loss for anti-dilution rights given to Mr. Zhu	2,505	2,074	11,355
Expenses in relation to the Listing	–	2,300	20,311
Non-IFRS measure – adjusted EBITDA	119,661	171,475	287,940
(Loss)/profit and total comprehensive (loss)/income for the year	(46,510)	2,418	39,767
Adjustments:			
Share-based compensation expenses	27,084	12,629	10,785
Interest expense of redeemable Shares	65,460	73,965	89,324
Fair value loss for anti-dilution rights given to Mr. Zhu	2,505	2,074	11,355
Expenses in relation to the Listing	–	2,300	20,311
Non-IFRS measure – adjusted net profit	48,539	93,386	171,542

Share-based compensation expenses, interest expense of redeemable Shares and fair value loss for anti-dilution rights given to Mr. Zhu are recorded in accordance with the relevant accounting standards and did not involve any cash outflow and are therefore regarded as non-cash items. In particular, the interest expense of redeemable Shares is accrued in accordance with the terms of the relevant Pre-IPO Investments, and the fair value loss for anti-dilution rights given to Mr. Zhu represents fair value changes of the anti-dilution rights with respect to 5% equity interest in Gamma Star granted to Mr. Zhu. Please see "Financial Information – Key Factors Affecting Our Results of Operations – Redeemable Shares," "Financial Information – Key Factors Affecting Our Results of Operations – Share-based Compensation Expenses" and "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items – Other Gains/(Losses) – Net" for more details.

Summary of Consolidated Balance Sheets

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Total current assets	562,118	513,104	668,530
Total non-current assets	1,221,474	1,469,386	1,544,659
Total current liabilities	393,004	415,446	1,714,181
Total non-current liabilities	1,693,451	1,755,288	701,614
Total assets	1,783,592	1,982,490	2,213,189
Net current assets/(liabilities)	169,114	97,658	(1,045,651)
Total deficits	(302,863)	(188,244)	(202,606)

As of December 31, 2017, 2018 and 2019, we recorded negative equity of RMB302.9 million, RMB188.2 million and RMB202.6 million, respectively, primarily due to the significant amount of redeemable Shares which were recognized as a liability in our consolidated statements of financial position. Please see "Financial Information-Key Factors Affecting Our Results of Operations – Redeemable Shares" for more details about our redeemable Shares. Upon successful Listing, such liability will be derecognized and accounted for as an increase in share capital and share premium, which we expect will reverse our negative equity position. As of December 31, 2019, we recorded net current liabilities of RMB1,045.7 million, primarily due to current portion of redeemable Shares of RMB1,398.4 million which was expected to become due in September 2020 as of December 31, 2019. Such due date was subsequently extended to June 30, 2021 by the parties in accordance with a deed of waiver dated February 13, 2020, pursuant to which we have no obligation to repurchase the redeemable Shares in the next 12 months from the date of this prospectus. Please see "Risk Factors – Risks Relating to Our Business and Industry – We recorded accumulated losses, net current liabilities and net liabilities during the Track Record Period."

Our non-current assets include a significant amount of intangible assets, amounting to RMB387.7 million, RMB383.4 million and RMB385.7 million, respectively, as of December 31, 2017, 2018 and 2019. In particular, we recorded goodwill of RMB304.5 million, RMB300.3 million and RMB300.3 million, respectively, as of December 31, 2017, 2018 and 2019, representing 78.5%, 78.3% and 77.9% of total intangible assets as of the same dates.

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2017	2018	2019
		(RMB'000)	
Operating cash flows before changes in working capital	107,474	165,961	265,349
Changes in working capital	(26,807)	15,495	3,112
Cash generated from operations	80,667	181,456	268,461
Interest received	411	175	629
Income tax paid	(14,253)	(21,690)	(40,473)
Net cash generated from operating activities	66,825	159,941	228,617
Net cash generated from/(used in) investing activities	84,198	(262,462)	(134,978)
Net cash (used in)/generated from financing activities	(47,301)	12,397	104,562
Net increase/(decrease) in cash and cash equivalents	103,722	(90,124)	198,201
Cash and cash equivalents at the beginning of the year	176,805	280,660	190,552
Cash and cash equivalents at end of the year	280,660	190,552	393,409

Please see "Financial Information – Liquidity and Capital Resources – Cash Flows" for details of our cash flows.

Key Financial Ratios

	Year ended December 31,		
	2017	**2018**	**2019**
		(%)	
Profitability ratios			
Gross profit margin	28.4	31.2	30.4
Net (loss)/profit margin	(7.8)	0.3	3.7
Non-IFRS measure – adjusted EBITDA margin	20.1	22.4	26.5
Non-IFRS measure – adjusted net profit margin	8.1	12.2	15.8

	As of December 31,		
	2017	**2018**	**2019**
		(%)	
Liquidity ratios			
Current ratio	1.43	1.24	0.39
Quick ratio	1.34	1.14	0.36
Capital adequacy ratio			
Gearing ratio	N/A	N/A	N/A

Gearing ratio is not applicable to us during the Track Record Period due to our negative equity position. However, we have been in net cash position (namely, cash and cash equivalents exceeding total borrowings) at the end of each year during the Track Record Period. Please see "Financial Information – Key Financial Ratios" for descriptions of the calculation of the above ratios.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the Listing pursuant to the market capitalization/revenue/cash flow test under Rule 8.05(2) of the Listing Rules.

RECENT DEVELOPMENTS

Our total revenue increased by 13.4% from RMB338.6 million for the four months ended April 30, 2019 to RMB383.9 million for the four months ended April 30, 2020, primarily attributable to an increase in revenue generated from hospital business. Our revenue generated from hospital business increased by 16.8% from RMB293.6 million for the four months ended

April 30, 2019 to RMB342.8 million for the four months ended April 30, 2020. Our gross profit increased by 14.6% from RMB107.3 million for the four months ended April 30, 2019 to RMB123.0 million for the four months ended April 30, 2020.

Our financial information for the four months ended April 30, 2019 and 2020 as set out above have been extracted from our unaudited interim condensed consolidated financial information as of and for the four months ended April 30, 2020, which has been reviewed by our reporting accountant in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Our Directors confirm that, up to the date of this prospectus, save as otherwise disclosed in "Risk Factors – Risks Relating to Our Business and Industry – We recorded accumulated losses, net current liabilities and net liabilities during the Track Record Period," (i) there has been no material adverse change in our financial or trading position since December 31, 2019; and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

Our Directors believe that the recent outbreak of coronavirus disease 2019, or COVID-19, has not had any material adverse impact on our business operations and financial performance, primarily because: (i) none of our in-network hospitals is located in Hubei Province and there has been no material disruption to the operation of our in-network hospitals; (ii) we did not experience any incident where the medical professionals of our in-network hospitals fail to report duty; (iii) only two of our in-network radiotherapy centers are located in Hubei Province, which contributed approximately 1.2% of our total revenue for the year ended December 31, 2019; (iv) we did not encounter and do not expect to encounter any supply chain disruption, as our major medical supplies are readily available from suppliers in various geographical regions in China and we are generally able to source alternative supplies if any of our current suppliers are affected by disruption based by the spread of COVID-19; and (v) generally the first quarter of each financial year is our low season due to the Chinese New Year. In response to the outbreak of COVID-19, we have implemented the following precautionary measures: (i) equipping with sufficient masks and gloves to protect our employees and patients; (ii) requiring our in-network hospitals to strictly follow the guidelines and requirements issued by the local healthcare administrative authorities in relation to safety and prevention against COVID-19; (iii) performing compulsory body temperature checks of all our employees before entering work sites and random body temperature checks at work sites during the day; and (iv) requesting our medical professionals and employees to maintain personal hygiene and those who have respiratory symptoms shall be refrained from working.

In the worst case scenario, namely, when we are required to suspend our operations after the Listing, our available financial resources of approximately RMB281.6 million (comprised of (i) cash and cash equivalent of RMB194.7 million, (ii) financial assets at fair value through profit or loss of RMB100.0 million, (iii) unutilized banking facilities of RMB70.0 million as of April 30, 2020 and (iv) 5% of net proceeds from the Global Offering of RMB86.9 million (based on HK$17.00 per Share, being the low-end of the Offer Price range stated in this prospectus), reducing by (i) dividend payable of RMB70.0 million to holders of our Shares and (ii) trade payable of RMB99.9 million as of April 30, 2020) can support the payment of operating expenses for 15.2 months starting from May 1, 2020. The above estimate is based on the estimated operating expenses per month of RMB18.6 million, which comprised of (i) base salaries of employees and social insurance and housing provident fund contributions of RMB17.9 million, (ii) other operating expenses of RMB0.7 million.

OFFERING STATISTICS

Offer size:	Initially 20% of our enlarged issued share capital
Over-allotment Option:	Up to 15% of our initial Offer Shares
Offer Price per Offer Share:	HK$17.00 to HK$18.50 per Offer Share
Offering Structure:	Approximately 90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	Based on an Offer Price of HK$17.00 per Offer Share	**Based on an Offer Price of HK$18.50 per Offer Share**
Market capitalization of Offer Shares	HK$2,040 million	HK$2,220 million
Market capitalization of our Shares upon completion of the Global Offering	HK$10,200 million	HK$11,100 million
Unaudited pro forma adjusted net tangible assets per Offer Share(1)	HK$5.67	HK$5.96

Note:

(1) Please see "Appendix II – Unaudited Pro Forma Financial Information" for further details regarding the assumptions used and the calculations method.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB131.8 million, representing 6.8% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the

Global Offering. During the Track Record Period, we incurred listing expenses of RMB28.9 million, of which approximately RMB22.6 million was charged to the consolidated statements of comprehensive income for the year ended December 31, 2018 and 2019, as administrative expenses and approximately RMB6.3 million was capitalized as deferred expenses in the consolidated statements of financial position as of December 31, 2019 to be charged against equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB102.9 million, of which approximately RMB27.8 million is expected to be recognized as administrative expenses and approximately RMB75.1 million is expected to be recognized as a deduction in equity directly upon the Listing.

DIVIDENDS

We declared a dividend of RMB70 million to holders of our Shares in September 2019, which will be settled prior to the Listing and will be funded by our internal financial resources. Other than that, no dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

As of December 31, 2019, we had negative retained earnings. As advised by Harney Westwood & Riegels, the Cayman Islands legal advisors to the Company, a Cayman Islands company may pay dividends out of profits or share premium. In the case of dividends paid out of share premium, there is a statutory test set out in Section 34(2) of the Cayman Companies Law which provides that the share premium account may be applied by the company to pay dividends to its members only if immediately following the payment of dividends, the company will be able to pay its debts as they fall due in the ordinary course of business. There is no provision under the Cayman Companies Law which expressly prohibits us from declaring and paying dividends out of our share premium account even when we had negative retained earnings.

Any future declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Please see "Financial Information – Dividends" for more details.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$17.75 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK$1,985.8 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

Percentage of Net Proceeds	Future Plans	Approximately HK$ in millions
60%	Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are our self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan. Please see "Business – Our Future Expansion – Organic Growth" for more details.	1,191.5
30%	Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services. Please see "Business – Our Future Expansion – Strategic Acquisitions" for more details.	595.7
5%	Upgrading our information technology systems. Please see "Business – Information Technology Systems" for more details.	99.3
5%	Working capital and other general corporate purposes.	99.3

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of our Controlling Shareholders
"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd. (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on June 8, 2020 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	our board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday, or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Capitalization Issue"	the issue of 462,758,440 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company, as further described in the paragraph headed "Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of all our Shareholders passed on June 8, 2020" in Appendix IV
"Cayman Companies Law" or "Companies Law"	the Companies Law (2020 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of our Controlling Shareholders
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of our Controlling Shareholders
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of our Company

"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of our Company
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Company" or "our Company"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"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 "Contractual Arrangements" in this prospectus
"Controlling Shareholder(s)"	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

"Cooperation Agreements"	the cooperation agreements we entered into with the owners of our in-network radiotherapy centers that were in operation as of the Latest Practicable Date
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-competition"	a deed of non-competition dated June 8, 2020 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are summarized in the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"Dezhou Hygeia Hospital"	Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司) (formerly known as Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司)), a limited liability company established in the PRC on December 18, 2019 and a subsidiary of our Company
"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax in the PRC
"Excluded Business of Gamma Star Industrial"	the provision of radiotherapy-related services by Gamma Star Industrial to certain public hospitals and as part of our Reorganization, we disposed of Gamma Star Industrial on October 16, 2018 as described in the section headed "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia"
"F&S Report" or "Frost & Sullivan Report"	an independent market research report prepared by Frost & Sullivan for the purpose of this prospectus
"First-tier Cities"	for the purpose of this prospectus only, Beijing, Shanghai, Guangzhou and Shenzhen, according to Frost & Sullivan

"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 MOFCOM and the NDRC on June 28, 2017 and amended on June 28, 2018 and June 30, 2019
"Fountain Grass"	Fountain Grass Investment Ltd, a limited liability company incorporated under the laws of Mauritius and an affiliate of Warburg Pincus LLC, one of our Pre-IPO Investors
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Gamma Star"	Gamma Star Medical Technology Development (Shanghai) Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司) (formerly known as 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 our Company
"Gamma Star Consulting"	Shanghai Gamma Star Medical Information Consulting Co., Ltd. (上海伽瑪星醫療信息諮詢有限公司), a limited liability company established in the PRC on August 23, 2019 and a wholly-owned subsidiary of our Company
"Gamma Star Industrial"	Shanghai Gamma Star Industrial Co., Ltd. (上海伽瑪星實業有限公司), a limited liability company established in the PRC on May 14, 2015 which we disposed of to an Independent Third Party on October 16, 2018 as described in the section headed "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia"
"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 our Company
"GDP"	gross domestic product

"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider, designated by our Company
"Group", "our Group", "we", or "us"	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Haiyue Kangjian"	Heze Haiyue Kangjian Medical Service Center (Limited Partnership) (菏澤市海悅康健醫療服務中心(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 our Managed Hospitals
"Handan Zhaotian Hospital"	Handan Zhaotian Orthopedics Hospital (邯鄲兆田骨科醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on August 27, 2015 and one of our Managed Hospitals
"Harmony Healthcare"	Harmony Healthcare Investment Holdings Limited, a BVI business company incorporated under the laws of BVI and one of our Pre-IPO Investors
"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 our Company
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 12,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in "Structure and Conditions of the Global Offering"
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in "Structure and Conditions of the Global Offering") at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 13, 2020, relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, Haitong International Securities Company Limited and the Hong Kong Underwriters, as further described in the section headed "Underwriting"
"Huagai Xincheng"	Huagai Xincheng Healthcare Investment Holdings Limited, a BVI business company incorporated under the laws of the BVI and one of our Pre-IPO Investors
"Hygeia BVI"	Hygeia Healthcare Group Co., Limited, a BVI business company incorporated under the laws of BVI on October 2, 2018 and a direct wholly-owned subsidiary of our Company
"Hygeia HK"	Hygeia Healthcare(HK) Co., Limited, a limited liability company incorporated under the laws of Hong Kong on October 19, 2018 and a wholly-owned 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 our Company by virtue of the Contractual Arrangements
"IAEA"	International Atomic Energy Agency
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual or a company which, to the best of our Director's knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules

"International Offer Shares"	the 108,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in "Structure and Conditions of the Global Offering"
"International Offering"	the conditional offering of the International Offer Shares by the International Underwriters to professional, institutional, and other investors by the International Underwriters on behalf of our Company as described in "Structure and Conditions of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors and Joint Representatives (for themselves and on behalf of the International Underwriters) on or about June 19, 2020
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Jiangsu Gamma Star"	Jiangsu Gamma Star Medical Service Co., Ltd. (江蘇伽瑪星醫療服務有限公司), a limited liability company established in the PRC on December 1, 2017, and a wholly-owned subsidiary of our Company
"Jiangsu Supply Chain"	Jiangsu Hygeia Supply Chain Management Co., Ltd. (江蘇海吉亞供應鏈管理有限公司), a limited liability company established in the PRC on November 21, 2017, and a wholly-owned subsidiary of our Company

"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
"Joint Bookrunners" or "Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited
"Joint Representatives"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), and Haitong International Securities Company Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and Haitong International Capital Limited
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital (開遠解化醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on November 12, 2012 and one of our Managed Hospitals
"Latest Practicable Date"	June 8, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of our Company

"Liaocheng Supply Chain"	Liaocheng Hygeia Supply Chain Management Co., Ltd. (聊城海吉亞供應鏈管理有限公司), a limited liability company established in the PRC on May 27, 2020 and a wholly-owned subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about Monday, June 29, 2020, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are 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
"Long Hill"	Long Hill Capital Management, which holds equity interest in our Company through three limited partnerships incorporated under the laws of Cayman Islands, namely (i) Long Hill Capital Venture Partners 1, L.P. ("**Long Hill 1**"), (ii) Long Hill Capital Venture Partners 1 Plus, L.P. ("**Long Hill 1 Plus**") and (iii) Long Hill Capital Venture Partners HGY, L.P. ("**Long Hill HGY**"), all of which are our Pre-IPO Investors
"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of our Company
"M&A Rules"	the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC, and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009
"Macau"	the Macau Special Administrative Region of the PRC

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managed Hospitals"	Kaiyuan Jiehua Hospital, Handan Renhe Hospital and Handan Zhaotian Hospital
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, our founder and one of our Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of our Controlling Shareholders
"NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	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)
"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)
"NMPA"	National Medical Products Administration (國家藥品監督管理局), formerly known as China Food and Drug Administration ("CFDA") (國家食品藥品監督管理總局) or State Food and Drug Administration ("SFDA") (國家食品藥品監督管理局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA, SFDA and CDA
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed "Structure and Conditions of the Global Offering"

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (for itself and on behalf of the other International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 18,000,000 additional Shares (representing in aggregate 15% of initial Offer Shares) at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure and Conditions of the Global Offering"
"PBOC"	the People's Bank of China (中國人民銀行)
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal, and other regional or local people's congresses) as the context may require, or any of them
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of National People's Congress on October 26, 2018 and effective on the same date
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal, and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisors"	Tian Yuan Law Firm, our legal advisors as to PRC laws
"Pre-IPO Investments"	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Reorganization and Corporate Structure"

"Pre-IPO Investors"	Fountain Grass, Harmony Healthcare, Xinrunheng, Long Hill, WuXi AppTec, Huagai Xincheng and Utru Star and their affiliates as applicable
"Pre-IPO Restricted Share Scheme"	the pre-IPO restricted share scheme approved and adopted by our Company on July 17, 2019 which recognized the share incentive plan implemented by Gamma Star in July 2018, the principal terms of which are summarized in "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme"
"Pre-IPO Share Award Scheme"	the pre-IPO share award scheme approved and adopted by our Company on July 17, 2019, the principal terms of which are summarized in "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 2. Pre-IPO Share Award Scheme"
"Price Determination Agreement"	the agreement to be entered into by the Joint Sponsors (for itself and on behalf of the other Underwriters) and the Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Friday, June 19, 2020, on which the Offer Price will be determined, or such later time as the Joint Representatives (for itself and on behalf of the other Underwriters) and our Company may agree, but in any event, no later than Monday, June 22, 2020
"Province"	a province or, where the context requires, a provincial level municipality or autonomous region under the direct administration of the central government of the PRC
"Qiushi Investment"	Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司), a limited liability company established in the PRC on April 24, 2015 and a wholly-owned subsidiary of our Company

"Qufu Hospital"	Qufu Chengdong Hospital Co., Ltd. (曲阜城東醫院有限公司), a limited liability company established in the PRC on October 30, 2015 which we disposed of to an Independent Third Party on October 15, 2018 as described in the section headed "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia"
"Radiotherapy Center Services"	the services we provide to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of our proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of our Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of our Controlling Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed "History, Reorganization and Corporate Structure"
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU(s)"	restricted share units granted pursuant to the Pre-IPO Share Award Scheme
"Rule 144A"	Rule 144A under the U.S. Securities Act

"SAFE"	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"SAFE Circular No. 37"	Notice on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE in July 2014
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Second-tier Cities"	for the purpose of this prospectus only, the provincial capitals and sub-provincial cities, including, Tianjin, Chongqing, Shijiazhuang, Taiyuan, Shenyang, Changchun, Harbin, Nanjing, Hangzhou, Hefei, Fuzhou, Nanchang, Jinan, Zhengzhou, Wuhan, Changsha, Haikou, Chengdu, Guiyang, Kunming, Xi'an, Lanzhou, Xining, Hohhot, Nanning, Yinchuan, Urumqi, Dalian, Qingdao, Ningbo and Xiamen, according to Frost & Sullivan
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanghai Hygeia"	Shanghai Hygeia Medical Management Co., Ltd. (上海海吉亞醫療管理有限公司), a limited liability company established in the PRC on May 28, 2019 and a subsidiary of our Company which was deregistered on December 10, 2019
"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 our Company
"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0001 each before share subdivision and with nominal value of US$0.00001 each after share subdivision
"Shareholder(s)"	holder(s) of the Shares
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and Century River on or around the Price Determination Date
"subsidiaries"	has the meaning ascribed thereto under section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"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 our 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 our Company
"Third-tier and Other Cities"	for the purpose of this prospectus only, cities excluding First-tier Cities and Second-tier Cities, according to Frost & Sullivan
"Track Record Period"	the three financial years ended December 31, 2017, 2018 and 2019

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"Utru Star"	Utru Star Holdings Limited, a BVI business company incorporated under the laws of the BVI and one of our Pre-IPO Investors
"VAT"	value-added tax
"VIE Hospitals"	collectively, Shanxian Hygeia Hospital, Heze Hygeia Hospital, Suzhou Canglang Hospital, Chongqing Hygeia Hospital, Longyan Boai Hospital, Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"WuXi AppTec"	WuXi AppTec Co., Ltd., which holds equity interest in our Company through WuXi PharmaTech Healthcare Fund I L.P., an exempted limited liability partnership established under the laws of Cayman Islands and one of our Pre-IPO Investors
"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

"Xinrunheng"	Xinrunheng Inc., an exempted company with limited liability incorporated under the laws of Cayman Islands and one of our Pre-IPO Investors
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly in CCASS
"Yueheng Medical"	Shanghai Yueheng Medical Information Technology Service Center (Limited Partnership) (上海悅衡醫療信息技術服務中心(有限合夥)), a limited partnership established in the PRC on October 9, 2016 and held by participants of our Pre-IPO Restricted Share Scheme prior to the Reorganization
"Yuehuan Medical"	Shanghai Yuehuan Medical Information Technology Service Center (Limited Partnership) (上海悅桓醫療信息技術服務中心(有限合夥)), a limited partnership established in the PRC on April 12, 2017 and held by participants of our Pre-IPO Restricted Share Scheme prior to the Reorganization
"Yueteng Medical"	Shanghai Yueteng Medical Information Technology Service Center (Limited Partnership) (上海悅騰醫療信息技術服務中心(有限合夥)), a limited partnership established in the PRC on July 25, 2018 and held by participants of our Pre-IPO Restricted Share Scheme prior to the Reorganization

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"CEA"	carcinoembryonic antigen, a set of highly related glycoproteins involved in cell adhesion, which can be used as a tumor indicator in clinical tests
"Class I hospitals"	the smaller local hospitals designated as Class I hospitals by the NHFPC hospital classification system, typically having fewer than 100 beds and primarily providing more basic healthcare services limited to the neighborhood community
"Class II hospitals"	the regional hospitals designated as Class II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"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
"fatality"	occurrence of death that is caused by a disease
"general hospital"	a hospital that provides multi-disciplinary healthcare services including outpatient, inpatient and diagnosis
"GMP Certificate"	Certificate of Good Manufacturing Practices for Pharmaceutical Products (藥品生產質量管理認證證書)
"GSP Certificate"	The Good Supply Practices for Pharmaceutical Products Certificate (藥品經營質量管理規範認證證書)
"hyperthermic intraperitoneal chemotherapy"	a combination of surgery and chemotherapy which involves filling the abdominal cavity with heated chemotherapeutic pharmaceuticals after the visible tumors or lesions are removed by the surgeon

"hyperthermia therapy"	a supplemental oncology treatment which increases tumor temperature to stimulate blood flow, increase oxygenation and render cancer cells more sensitive to radiation, thereby increasing the effectiveness of radiation while minimizing damage to normal tissues
"immunoassay"	a biochemical test that measures the content of a substance in a testing sample by using such substance as the antibody or antigen
"inpatient visit"	a patient who receives healthcare services at a hospital and is hospitalized overnight
"Medical Insurance Designated Medical Institutions"	medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs
"millimeter-wave therapy"	a therapy enables cancer patients to relieve pain and when combined with radiotherapy or chemotherapy, can enhance T cell-mediated immunity, reduce tumor metastasis and tumor resistance to radiation and chemotherapeutic pharmaceuticals
"MRI" or "MR"	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
"multi-site practice physician"	licensed physicians who are qualified and permitted to practice at multiple sites in the PRC
"nosocomial infection"	an infection that is contracted from the environment or staff of a healthcare facility
"occupancy rate of registered beds"	the inpatient bed-days, being the actual number of beds occupied by our inpatients on each day aggregated over the course of the relevant period, divided by the total number of registered beds on each day aggregated over the course of such period, multiplied by 100%
"oncology"	the branch of medicine that deals with cancer

"organizer's interest"	the interest held by the organizers of private non-enterprise entities. The organizers are entitled to inquire the private non-enterprise entities for the use and management of donated property and give their opinions and proposals, and, if the articles of associations provided so, also entitled to other rights in relation to the operation of the relevant private non-enterprise entities (such as nominating members of the executive committee) but are not entitled to receive economic interests by way of dividends or other forms of distribution from, or to receive any residual assets upon liquidation of, the relevant private non-enterprise entities.
"outpatient visit"	a patient who receives healthcare services at a hospital and is not hospitalized overnight
"PET-CT" or "PET/CT"	positron emission tomography-computed tomography, a nuclear medical technology which combines, in a single gantry, a positron emission tomography scanner and an X-ray computed tomography scanner, to acquire sequential images from both devices in the same session and combine such images into a single superposed (co-registered) image, enabling the preciser alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by computed tomography scanning.
"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
"registered beds"	the number of beds that are registered in a medical institution's practicing license
"specialty hospital"	a hospital that primarily or exclusively provides healthcare services on specific departments

"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

This prospectus contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, expectation and views of future events, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as "will," "expect," "anticipate," "plan," "believe," "may," "intend," "ought to," "continue," "project," "should," "seek," "potential" and other similar terms. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially.

These forward-looking statements include, but are not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industry which we operate in;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- future developments in the industry which we operate in; and
- general economic trends in China where we operate our business.

The words "will," "expect," "anticipate," "plan," "believe," "may," "intend," "ought to," "continue," "project," "should," "seek," "potential" and other similar expressions, as they relate to us (other than in relation to our profits, results of operations and earnings), are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. See "Risk Factors," "Business" and "Financial Information" for more details.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Except as required by applicable laws and regulations, including the Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and in particular the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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 our business operations and future expansion.

China's regulatory regime governing the healthcare service industry is undergoing reform, and new regulations and policies are expected to be promulgated. It is uncertain what impact these new regulations and policies would have on our competitiveness, operations and corporate structure. In recent years, the PRC government launched a new healthcare reform plan to ensure that every citizen has access to affordable basic healthcare services. In pursuit of these policy objectives, the PRC government has implemented extensive regulations and policies to address the affordability, accessibility and quality of healthcare services, medical insurance coverage, distribution of pharmaceutical products and reform of public hospitals. In addition, the PRC government has gradually reduced regulatory hurdles for establishing and investing in private hospitals, in particular by private capital, and encouraged development of hospital management groups.

Our business operations and future expansion are largely driven by the PRC government's policies, which may change significantly and are beyond our control. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations on healthcare services or foreign investments, or strengthen and tighten supervision and management of medical institutions including hospitals, in particular, private hospitals, or implement stricter or more comprehensive regulations on the distribution of pharmaceuticals, medical equipment and medical consumables.

Depending on the priorities of the PRC government, the political climate and the regulatory regime with respect to foreign investment control at any given time, and the development of the Chinese healthcare system, future regulatory changes may affect public hospital reform, limit private or foreign investments in healthcare service industry, change reimbursement rates for healthcare services provided to publicly insured patients, or implement additional price control on pharmaceuticals or healthcare services. Any of these events could have a material and adverse impact on our business, financial condition, results of operations, prospects and future growth.

Our 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 our results of operations.

As of December 31, 2019, all of our in-network hospitals in operation were Medical Insurance Designated Medical Institutions. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of healthcare services. For example, for the years ended December 31, 2017, 2018 and 2019, revenue derived from settlement through public medical insurance programs accounted for approximately 32.1%, 37.8% and 42.0% of our total revenue, respectively. In such case, patients generally settle a portion of their medical bills through out-of-pocket payments, and the remainder was covered by the public medical insurance programs. The specific percentage covered by different public medical insurance programs may vary based on criteria including type of the insurance program, age of the patient and type of treatment involved and pharmaceuticals sold.

Any dispute or late or delinquent settlement under the public medical insurance programs may cause the trade receivables of our in-network hospitals to increase or result in write-offs. Depending on the relevant public medical insurance programs' practice, a Medical Insurance Designated Medical Institution may be subject to a government-approved annual quota for the medical fees that it is allowed to recover from the relevant public medical insurance bureau. During the Track Record Period, the inpatient healthcare services provided by certain of our self-owned hospitals were subject to such government-approved quota. Please see "Business – Pricing and Payment" for more details. For amounts in excess of the relevant hospital's government-approved quota, the local medical insurance bureau may reimburse all or part of these amounts in the next year according to relevant local policies. The excess amounts under the public medical insurance programs for the years ended December 31, 2017 and 2018 that were not reimbursed by the local medical insurance bureaus were RMB31.3 million and RMB9.9 million, respectively, equivalent to 5.2% and 1.3% of our total revenue of the same period, respectively, which amounts were not accounted for in our financial statements pursuant to our accounting policies. As of the Latest Practicable Date, the excess amounts under the public medical insurance programs for the year ended December 31, 2019 had not been fully settled, and we estimated that RMB7.7 million, equivalent to 0.7% of our total revenue of the same period, would not be reimbursed by the local medical insurance bureaus. If the quota assigned by the local medical insurance bureau does not increase in line with our in-network hospitals' revenue growth, the loss generated from such non-reimbursable amounts would increase and as a result, could adversely affect our results of operations.

In addition, we cannot assure you that our in-network hospitals will be able to maintain their status as Medical Insurance Designated Medical Institutions, the loss of which will not only harm our reputation but may also result in reduced patient visits. Furthermore, the PRC government may alter its reimbursement policies in coverage plans in the future such that: (i) certain healthcare services provided by our in-network hospitals will no longer be covered; or (ii) more stringent thresholds on existing coverage may be imposed. Any reduction in the rates paid or the scope of services covered may reduce patient accessibility to our in-network hospitals and may lead to reduced patient flow and medical fees. Any of these events could lead to a decrease in our revenue generation and profitability which could have a material adverse effect on our business, results of operations and prospects.

Regulatory pricing controls may affect the pricing of our in-network hospitals.

The PRC government issues policies on the pricing of healthcare services, pharmaceuticals and medical consumables. As Medical Insurance Designated Medical Institutions, for services, pharmaceuticals and medical consumables covered by the public medical insurance programs, our in-network hospitals are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. In addition, services provided by our Managed Hospitals, as private not-for-profit hospitals, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities. Please see "Business – Pricing and Payment" and "Regulatory Overview – Regulations on the Price of Healthcare Services and Medicine" for more details.

We cannot predict if the PRC government will lower the price ceilings or change the pricing guidelines in the future or if additional healthcare services, pharmaceuticals or medical consumables may become subject to price control, or more stringent insurance reimbursement limits, which may put pressure on the pricing of our in-network hospitals. As a result, our financial condition and results of operations could be materially and adversely affected.

We conduct our business in a heavily regulated industry and incur on-going compliance costs.

The operations of our in-network hospitals are subject to various laws and regulations at the national and local levels. These laws and regulations mainly relate to the operations of medical institutions and licensing of medical professionals, the use and safety management of pharmaceuticals and medical equipment, the quality and pricing of healthcare services, occupational health and safety as well as environmental protection. Please see "Regulatory Overview" for more details. In addition, our in-network hospitals are subject to periodic license or permit renewal requirements and inspections by various government agencies and departments at the provincial and municipal level. Please see "Business – Licenses, Permits and Certificates" for more details.

If we fail to maintain or renew any major license, permit, certificate or approval for all or any of our in-network hospitals or subsidiaries, or if the medical professionals at our in-network hospitals become unlicensed at any time during their practices, or if we or our in-network hospitals are found to be non-compliant with any applicable laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

Our 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 our brand image, reputation and results of operations.

We rely on the physicians and other medical professionals of our in-network hospitals to make proper clinical decisions regarding the diagnoses and treatment of their patients. However, we do not have direct control over the clinical activities of our in-network hospitals or over the decisions and actions taken by the physicians and other medical professionals as their diagnoses and treatments of patients are subject to their professional judgment and in most cases, must be performed on a real time basis. Any incorrect decisions or actions on the part of the physicians and other medical professionals, or any failure by our in-network hospitals to properly manage their clinical activities may result in undesirable or unexpected outcomes, including complications, injuries and even deaths in extreme cases. Our in-network hospitals are especially exposed to heightened risks from the treatment of complex medical conditions, such as cancer and cardiovascular diseases, which typically have variable outcomes. In addition, there are inherent risks associated with the clinical activities that may result in unavoidable and unfavorable medical outcomes.

In recent years, physicians, hospitals and other healthcare service providers in China have become subject to an increasing number of patient complaints, claims and legal proceedings alleging malpractice or other causes of action. Although rare, incidents have occurred in hospitals and medical institutions in the past in China where dissatisfied patients carried out extreme actions or even violence during the course of the disputes. Any such incident, if occurs, would harm our reputation, impair the ability of our in-network hospitals to recruit and retain medical professionals and staff, discouraging other patients from visiting our in-network hospitals, and cause us to incur substantial costs.

Our in-network hospitals may choose to settle with the dissatisfied patients in order to minimize the negative impact on their reputation and operations. Please see "Business – Legal Proceedings and Compliance – Legal Proceedings" for details of medical disputes our in-network hospitals were involved during the Track Record Period. We cannot guarantee our in-network hospitals will not be subject to medical disputes or that they can successfully prevent or address all medical disputes in the future. Any complaint, claim or legal proceeding, regardless of merit, could result in significant legal costs, diversion of medical professionals' and management's resources and reputational damage to us, which may in turn materially and adversely affect our business, financial condition and results of operations.

If our Managed Hospitals and hospital partners decide to terminate or not to renew our cooperation arrangements, our revenue and profitability may suffer.

During the Track Record Period, we derived revenue from (i) providing Radiotherapy Center Services to certain hospital partners in connection with their radiotherapy centers; and (ii) managing and operating, and receiving management fees from, our Managed Hospitals. In 2017, 2018 and 2019, our Radiotherapy Center Services generated revenue of RMB69.3 million, RMB77.8 million and RMB81.9 million, respectively, representing 11.6%, 10.2% and 7.5% of our total revenue for the same periods, respectively. In 2017, 2018 and 2019, our hospital management business recorded revenue of RMB1.1 million, RMB6.3 million and RMB6.2 million, respectively, representing 0.2%, 0.8% and 0.6% of our total revenue for the same periods, respectively. In addition, we recorded intangible assets in our consolidated statements of financial position to reflect our contractual rights to provide management services to our Managed Hospitals, which amounted to RMB55.1 million, RMB53.5 million and RMB52.0 million as of December 31, 2017, 2018 and 2019, respectively, accounting for 3.1%, 2.7% and 2.3% of our total assets as of the same dates, respectively. Our contractual rights to provide management services represent the consideration we paid for acquisition of organizer's interest (舉辦人權益) in our Managed Hospitals and are amortized on a straight-line basis over the term of our hospital management agreements of 40 years.

Our cooperation agreements with the hospital partners and our hospital management agreements with our Managed Hospitals set forth certain events that may trigger unilateral termination. Please see "Business – Our Oncology-Related Service Offerings – Our Third-party Radiotherapy Business" and "Business – Our Hospital Management Business" for more details. In addition, the hospital partners may choose not to renew cooperation agreements with us upon expiry. Furthermore, although our PRC Legal Advisors have advised us that our Cooperation Agreements and hospital management agreements are legally binding and do not violate any PRC laws and regulations, we cannot assure you that government policy will not change to prohibit such cooperation or hospital management model, making it unlawful for us to continue to perform our obligations under the relevant agreements. Moreover, if our Managed Hospitals or hospital partners fail to obtain, maintain or renew the approvals, permits, licenses or certificates that are requisite for their operations, or are otherwise found to be non-compliant with any applicable laws and regulations, they may be subject to administrative penalties, increased compliance costs, or even temporary or permanent closure of all or part of their business. If any of these events were to occur, we would not only cease to derive revenue from our Managed Hospitals and in-network radiotherapy centers, but would also have to write off our intangible assets relating to the contractual rights to provide management services. As a result, our business, financial condition and results of operations could be materially and adversely affected.

The articles of association of each of our Managed Hospitals provide for an executive committee (理事會) as its highest decision-making authority for material business matters. The management fee rates of our hospital management agreements, which were considered material business matters of the Managed Hospitals, were determined based on arm's length negotiations between such Managed Hospitals and us, and were subject to a simple majority approval by the executive committees of such Managed Hospitals. We cannot control the amount of management fees payable by the Managed Hospitals as we do not have control over material business matters of such Managed Hospitals.

In March 2018, the NHC and the State Drug Administration jointly promulgated the Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation) (《大型醫用設備配置與使用管理辦法(試行)》), which is not clear as to whether our proprietary SRT equipment shall fall within the scope of Category B Large-scale Medical Equipment (乙類大型醫用設備). Pursuant to such administrative measures, the provincial health administrative authorities are the competent authorities to issue and adjudicate the scope of License for Deployment of Category B Large-scale Medical Equipment (乙類大型醫用設備配置許可證). However, while the provincial health administrative authorities have started to promulgate the specific implementation rules, they remained silent on whether our proprietary SRT equipment shall be classified as a Category B Large-scale Medical Equipment, resulting in a high degree of uncertainty and inconsistent interpretation of whether our proprietary SRT equipment is within the scope of Category B Large-scale Medical Equipment by the local authorities across the country. As such, if any of our Managed Hospitals and hospital partners (namely, the owners of our in-network radiotherapy centers, which are the legally responsible parties for applying for the License for Deployment of Category B Large-scale Medical Equipment in relation to their use of our proprietary SRT equipment) is requested to obtain such license and is unable to obtain such license, such Managed Hospital or hospital partner may need to cease its use of our proprietary SRT equipment, resulting in our loss of revenue from such Managed Hospital or hospital partner, which may have a material and adverse effect on our business and results of operations. The owner of one of our in-network radiotherapy centers have obtained the License for Deployment of Category B Large-scale Medical Equipment in relation to its use of our proprietary SRT equipment; the owners of 10 other in-network radiotherapy centers have either made filings necessary to meet the requirements of the local authorities or obtained confirmations from the local authorities that they were not required to obtain such license for the use of our proprietary SRT equipment; and the owners of the remaining four in-network radiotherapy centers have submitted all necessary application materials for such license. The remaining four in-network radiotherapy centers, namely, Ezhou Radiotherapy Center, Nanyang Radiotherapy Center, Xianyang Radiotherapy Center and Wuzhong Radiotherapy Center, contributed approximately 1.2%, 1.8% and 2.0%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019. In addition, if the local authority in any new market determines that our proprietary SRT equipment is within the scope of Category B Large-scale Medical Equipment, our plan to provide Radiotherapy Center Services in such new market may be delayed or disrupted.

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

Negative publicity involving us, our in-network hospitals or the healthcare service industry may materially and adversely harm the brand image and reputation of us or our in-network hospitals and cause deterioration in the level of market recognition of and trust in the services provided by our in-network hospitals, thereby resulting in reduced patient visits and potential loss of business partners as well as physicians and staff. Such negative publicity may also result in diversion of management's attention, and governmental investigations or other forms of scrutiny. These consequences may have a material and adverse effect on our business, results of operations, financial condition and prospects.

Our in-network hospitals operate in a highly competitive industry, and if they do not compete successfully against new or existing competitors, our business, financial condition and results of operations may be materially and adversely affected.

Our in-network hospitals compete primarily with public and private general hospitals and specialty hospitals located in the same geographic areas. We will also compete with future market entrants as the rapid growth of the healthcare service industry in the PRC may attract more domestic or international players to enter. Some of our competitors may have substantially greater financial, marketing or other resources than we do. It is also possible that there will be significant consolidation and mergers in the healthcare service industry. Our competitors may develop alliances, and these alliances may acquire significant market share.

In addition, specialty hospitals that focus on one or only a few medical disciplines continue to grow. These hospitals generally have a lower barrier to entry than general hospitals. If the number of such hospitals increases over time, they may attract patients for their respective disciplines who might otherwise go to our in-network hospitals for the same services, causing increased competition for our business, which could, in turn, have a negative effect on our patient volume and overall market share.

Our in-network hospitals primarily compete on the following key factors: service quality, reputation, convenience, medical professionals, medical equipment and pricing. We cannot assure you that our in-network hospitals will be able to successfully compete against new or existing competitors, and changes in the competitive landscape may result in price reduction, reduced profitability or loss of market share, any of which could have a material adverse effect on our business, results of operations and prospects.

If we do not compete successfully against virtual hospitals and clinics, our business, financial condition and results of operations may be adversely affected.

Recently, there is an emerging trend for virtual hospitals and clinics to provide remote medical consultation and diagnosis. We cannot assure you that our in-network hospitals will be able to successfully compete with new or existing virtual hospitals and clinics and manage to attract and retain patients. Any inability to compete effectively could result in decrease in revenue and market share, any of which could have an adverse effect on our business, financial condition and results of operations.

We may be unable to identify or execute expansion opportunities, and acquired businesses may have unknown or contingent liabilities, which may materially and adversely affect our business, results of operations, financial condition and prospects.

We have significantly expanded our business during the Track Record Period through organic growth and acquisitions. There is no assurance that we will identify suitable targets to expand our business, negotiate commercially acceptable terms for such expansion, or successfully integrate any new assets or businesses in the future. Even if we are able to identify suitable targets, such expansion can be difficult, time-consuming and costly to execute, and we may not be able to secure necessary financing for such expansion. Unsuccessful expansion plan may have a material and adverse effect on our business and financial condition.

In addition, businesses that we acquire may have unknown or contingent liabilities, including liabilities for failure to comply with relevant laws, regulations and rules. We cannot assure you that our due diligence conducted will uncover all material unknown or contingent liabilities or other negative developments, such as bankruptcy, insolvency, liquidation or dissolution, or that the acquired businesses will be viable. We may also suffer reputational and financial harm for actual or alleged inferior service or harm that occurred at the hospitals prior to our acquisition and need to respond to claims initially as dissatisfied patients will likely pursue their claims against the hospitals and us.

Our future expansion and subsequent ramping up and integration efforts would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations.

If we are not able to identify, capture or execute opportunities to expand our operations successfully, or if we suffer reputational or financial harm caused by unknown or contingent liabilities of the hospitals we acquire, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not grow at a rate comparable to our growth rate in the past.

We have experienced significant growth during the Track Record Period. Our revenue increased from RMB596.5 million in 2017 to RMB766.1 million in 2018, and further increased to RMB1,085.8 million in 2019, representing a CAGR of 34.9%. However, this growth trend reflects only our past performance and does not have any positive implication or may not necessarily reflect our financial performance in the future. The sustainability of our growth depends on a number of factors, many of which are beyond our control, including the ability of our in-network hospitals and radiotherapy centers to retain existing patients and attract new ones. In addition, the effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our network of hospitals and radiotherapy centers, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. There is no assurance that we can sustain the growth rate we achieved in the past.

We recorded accumulated losses, net current liabilities and net liabilities during the Track Record Period.

As of December 31, 2017, 2018, 2019, we had accumulate losses of RMB266.8 million, RMB276.4 million and RMB253.4 million, respectively. Our accumulated losses were primarily because we recorded interest expenses of redeemable Shares, amounting to RMB65.5 million, RMB74.0 million and RMB89.3 million, respectively, as well as share-based compensation of RMB27.1 million, RMB12.6 million and RMB10.8 million, respectively, for the years ended December 31, 2017, 2018 and 2019. We incurred such interest expenses as certain of our Pre-IPO Investors were granted the right to require our Group and Controlling Shareholders to repurchase the Shares they held if the Listing does not take place before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020) or the fifth year anniversary of the closing date of their respective Pre-IPO Investment, the equity investment by these Pre-IPO Investors are recognized as a liability at the present value of the redemption price, calculated by using effective interest method, in our consolidated statements of financial position. The amounts of the interest expenses of redeemable Shares were also credited to our consolidated statements of financial position and thus resulted in increased balance of such liability. In addition, we recorded net liabilities of RMB302.9 million, RMB188.2 million and RMB202.6 million, respectively, as of December 31, 2017, 2018 and 2019, primarily because we recorded redeemable Shares of RMB1,573.7 million, RMB1,647.7 million and RMB2,030.1 million, as of the same dates. As of December 31, 2019, we recorded net current liabilities of RMB1,045.7 million, primarily due to current portion of redeemable Shares of RMB1,398.4 million which was expected to become due in September 2020 as of December 31, 2019. Neither such liability nor these interest expenses has any impact on our cash position or capital resources to us if the Listing commences prior to June 30, 2021. Upon the Listing, such liability will be derecognized and accounted for as an increase in share capital and share premium. However, we cannot assure you that we will not have accumulated losses, net current liabilities or net liabilities in the future resulting from similar transactions or otherwise. Please see "Financial Information – Key Factors Affecting Our Results of Operations – Redeemable Shares" and "Financial Information – Key Factors Affecting Our Results of Operations – Share-based Compensation Expenses" for more details about our redeemable Shares and share-based compensation expenses. In addition, as a result of the abovementioned extension of due date in February 2020, we recorded effect of deferral of the redemption date of RMB98.5 million in our consolidated statements of comprehensive income for the four months ended April 30, 2020, which represented the difference between carrying amounts of redeemable Shares based on the original redemption due date and the extended due date and contributed to our net loss position for the same period. Such effect of deferral of the redemption date is an one-off item and did not involve any cash outflow.

Opening of new hospitals could result in fluctuations in our short-term financial performance.

Our operating results have been, and in the future may continue to be, influenced by the timing of the opening of new hospitals and the number of new hospitals opened. New hospitals generally have lower income and higher operating costs during the initial stages of their operations. We also incur substantial expenses before opening new hospitals such as renovation costs, rental expenses and equipment costs. Based on our past experience, it generally takes approximately a few months for a new hospital to achieve monthly breakeven and much longer to recover the initial investment. Accordingly, the number and timing of new hospital openings have, and may continue to have, a significant impact on our profitability. Please see "Financial Information – Key Factors Affecting Our Results of Operations – Expansion of Our Network of Hospitals and Radiotherapy Centers." As a result, our results of operations may fluctuate significantly from year to year. Please see "Business – Our Future Expansion" for details of our expansion plans. Therefore, period-to-period comparisons of our operating results during the Track Record Period may not be meaningful and you should not rely on them to predict the future performance of our operating results or the price of our Shares.

Newly opened hospitals or radiotherapy centers may not achieve normal operation as anticipated, which could adversely affect our business, results of operations, financial condition and prospects.

It typically takes newly opened hospitals or radiotherapy centers a period of time to achieve a utilization rate comparable to the existing ones, due to factors such as time needed to build patient awareness in the local community and to integrate the operations of such hospital into our existing infrastructure.

In addition, the opening of new hospitals or radiotherapy centers involve regulatory approvals and reviews by various authorities in the PRC, including health authorities. We or our hospital partners, as the case may be, may not be able to obtain all the required approvals, permits, licenses or certificates for opening of hospitals or radiotherapy centers in a timely manner or at all. Therefore, we may not be able to immediately utilize a newly opened hospital, or derive revenue from a newly opened radiotherapy center, as anticipated due to the inability or material delay, by us or our hospital partners, as the case may be, in obtaining the required approvals, permits, licenses or certificates and any substantial increase in costs to ramp up operations and utilization. In addition, the operating results generated at the newly opened hospitals or radiotherapy centers may not be comparable to the operating results generated at any of the existing ones. The hospitals or radiotherapy centers may even operate at a loss, which could adversely affect our results of operations.

If our in-network hospitals are unable to recruit and retain a sufficient number of qualified physicians and other medical professionals, our business and results of operations could be materially and adversely affected.

Our business is largely dependent on the ability of our in-network hospitals to identify, recruit and retain a sufficient number of qualified physicians. The recruitment of qualified physicians is competitive in the PRC due to their shortage. The near-term supply of specialist physicians is limited due to the length of training required, including academic study and clinical training, which can take up to eight years or even longer for certain medical specialties. We believe that physicians generally consider the following key factors when selecting medical institutions to work at: the reputation and culture, the efficiency of hospital management, the quality of facilities and supporting staff, the number of patient visits, compensation, training programs and location. Our in-network hospitals may not compete favorably with other medical institutions in respect of one of more these factors, and our in-network hospitals may not be able to attract or retain the physicians they desire. The physicians at our in-network hospitals typically are entitled to terminate their employment at any time with a 30 days' prior written notice. In addition, multi-site practice physicians practice at our in-network hospitals pursuant to the liberated physician registration regulation that allows licensed physicians to register and practice at multiple medical institutions. If the PRC government imposes restrictions on such practice in the future, our in-network hospitals may not be able to retain their current base of multi-site practice physicians. If our in-network hospitals are unable to successfully recruit or retain seasoned and qualified physicians, our business, financial condition and results of operations may be adversely affected.

Our success is also dependent on the ability of our in-network hospitals to recruit and retain qualified other medical professionals. It has become increasingly costly to recruit and retain medical professionals in recent years and there is no guarantee that our in-network hospitals will be able to recruit and retain sufficient medical professionals in the future. If our in-network hospitals fail to do so, they may not be able to maintain the quality of their services, and the number of patient visits at our in-network hospitals may decrease, which may materially and adversely affect our business, financial condition and results of operations.

For the years ended December 31, 2017, 2018 and 2019, our total employee benefits expenses (including those recorded in cost of revenue, selling expenses and administrative expenses) accounted for 32.5%, 32.4% and 32.0% of our total revenue for the same periods, respectively. If such costs increase in the future, it may adversely affect our profitability.

If we fail to properly manage the employment of the physicians and other medical professionals of our in-network hospitals, we may be subject to penalties against these hospitals, which could materially and adversely affect our business and results of operations.

The practicing activities of physicians and other medical professionals are strictly regulated under the PRC laws and regulations. Physicians, nurses and medical technicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. Please see "Regulatory Overview" for more details. In practice, it takes some time for physicians, nurses and medical technicians to transfer their licenses from one medical institution to another or add another medical institution to their permitted practicing institutions. We cannot assure you that certain of our part-time physicians will complete the related government procedures to add our relevant in-network hospitals to their permitted practicing institutions timely or at all. In addition, we cannot assure you that the medical professionals at our in-network hospitals will always strictly follow the requirements and will not practice outside the permitted scope of their respective licenses. Any failure by our in-network hospitals to properly manage the employment of their physicians and other medical professionals may subject us to administrative penalties against our in-network hospitals, which could materially and adversely affect our business.

If we fail to maintain stable relationships with our radiotherapy center service providers, our business, reputation, financial condition and results of operations may suffer.

We engage Independent Third Party service providers to promote our proprietary SRT equipment, radiotherapy centers of our self-owned hospitals and our in-network radiotherapy centers. Please see "Business – Sales and Marketing" for more details. For the years ended December 31, 2017, 2018 and 2019, fees paid to these radiotherapy center service providers amounted to RMB34.4 million, RMB46.1 million and RMB62.0 million, respectively. Our agreements with such service providers normally have a term of one year and we cannot assure you that such service providers will renew their agreements with us upon expiry, or otherwise maintain cooperation relationships with us. In addition, there is no assurance that such service providers would not enter into similar arrangements with our competitors or otherwise act in a manner adverse to our interest. If we fail to maintain our cooperation relationships with such service providers or if these service providers fail to fulfill their obligations under the relevant service agreements, or if they form relationships with our competitors, our business, reputation, financial condition and results of operations may be adversely affected.

If we cannot secure an adequate supply of cobalt-60 source and other components for the production of our proprietary SRT equipment, our business could be adversely affected.

Cobalt-60 source is the most important raw material for the production of our proprietary SRT equipment. Also, when necessary, we will consider replacing the cobalt-60 source of our proprietary SRT equipment installed in our in-network hospitals and radiotherapy centers after the half-life is reached. During the Track Record Period, we procured cobalt-60 source from suppliers in the PRC which imported raw cobalt-60 from Canada and sold to us after processing and encapsulating into physical forms. There are only very few suppliers of cobalt-60 source in China and there is no assurance that if we are able to obtain sufficient quantity of cobalt-60 source at commercially acceptable prices in a timely manner.

In addition, we subcontract the production of applicators, mechanical components, electronic controls and outer covers of our proprietary SRT equipment to contract manufacturers. Any failure by our contract manufacturers to consistently adhere to our stipulated specifications as well as quality control measures and standards could damage our reputation and may lead to product liability claims. We cannot guarantee that our contract manufacturers will deliver these components to us in a timely manner.

Any failure to obtain quality cobalt-60 source and other components for the production of our proprietary SRT equipment could disrupt our business or delay our expansion plan, which could adversely affect our business, financial condition and results of operations.

Our business may be harmed by technological and therapeutic changes or by shifts in physicians' or patients' preferences for alternative treatments.

The healthcare service industry is characterized by frequent improvements and evolving technology. As technological advances in the healthcare service industry continue to evolve rapidly, new services and equipment may arise and our success will depend on the ability of our in-network hospitals to adapt to such technological changes, which could incur significant expenditures and may be subject to licensing or other regulatory requirements. Some of our competitors may have greater resources to respond to these technological changes than our in-network hospitals. If our in-network hospitals fail to adapt successfully to technological changes or fail to obtain access to new technologies in a timely manner, their ability to compete could be strained, and as a result, our business, results of operations and prospects will be materially and adversely affected. There is also no assurance that we will be able to recover the expenditures associated with responding to the technological changes. In addition, rapid technological improvements could, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in impairment charges, which may materially and adversely affect our results of operations.

Furthermore, the treatment of oncology patients is especially subject to potentially revolutionary technological and therapeutic changes. For the years ended December 31, 2017, 2018 and 2019, radiotherapy-related services contributed to 25.7%, 22.9% and 21.7%, respectively, of our total revenue for the same periods. There may be significant advances in other oncology treatment methods, such as chemotherapy, surgery, interventional radiology, biological therapy, or cancer prevention techniques, which could reduce demand or even eliminate the need for radiotherapy treatment. Patients and physicians may also choose alternative cancer therapies over radiotherapy due to any number of reasons. Any shifts in physicians' or patients' preferences for other oncology therapies over radiotherapy may materially and adversely affect our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights, which could harm our brand image and our business.

We believe our patents, trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include our patents and copyrights in relation to our proprietary SRT equipment and our trademarks for the Hygeia brand. We are susceptible to infringement of our intellectual property rights by third parties. We cannot assure you that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. Our efforts to enforce or defend our intellectual property rights may not be adequate. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by third parties, which may be costly and time-consuming, and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. Furthermore, the outcome of any legal actions to protect our intellectual property rights may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be adversely affected.

In addition, other parties may register trademarks which may look similar to our registered trademarks under certain circumstances, which may cause confusion among patients. We may not be able to timely prevent other parties from using trademarks that are similar to ours and the patients may confuse our in-network hospitals with others using similar trademarks. In such case, the goodwill and value of our trademarks and the public perception of our brand image may be adversely affected. A negative perception of our brand image could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. Defense against any of these claims would be both costly and time-consuming, and could divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to liabilities to third parties, require us to seek consents or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision and marketing of the relevant brand or services. To the extent that such consents or licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies or rebranding our services, if any, or we may be forced to delay or suspend the relevant services or the promotion of the relevant brand. We may incur expenses and require attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in reduced patient visits. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

We may need additional capital and may not be able to obtain it in a timely manner or under commercially acceptable terms, or at all.

We believe that our current cash and cash equivalents, anticipated cash flow from operations, available credit facilities, and the proceeds from this Global Offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, such as any marketing initiatives or investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our hospital openings, investments in acquiring hospitals and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing. To the extent that we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on commercially acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability of financial institutions, receipt of necessary PRC government approvals, investors' confidence in us, the performance of the healthcare service industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms commercially acceptable to us, if at all. In the event that financing is not available or is not available on terms commercially acceptable to us, our business, results of operations and growth prospects may be adversely affected.

We depend on the continued service of our senior management team and other key employees, and our business, financial condition and results of operations will suffer greatly if we lose their services.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team, including Ms. Cheng Huanhuan, Mr. Wang Jie, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui, and other key employees, some of whom have been with us since our inception. We do not maintain key person insurance. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. If we lose the services of one or more of our key personnel, we may not be able to locate suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our senior management team or key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets, patients and key professionals and staff. Each of our key employees has either entered into a separate confidentiality agreement with us or been subject to the confidentiality clause contained in his or her labor contract. We cannot assure you, however, the extent to which any of these agreements will be enforceable under the applicable laws. Please see "– Risks Relating to the PRC – The legal system in the PRC has inherent uncertainties that could limit the legal protections available to our Shareholders" for more details.

Our business is subject to professional and other liabilities for which we may not be insured.

Our in-network hospitals are exposed to potential liabilities that are inherent to the provision of healthcare services. In recent years, physicians and medical institutions in China have been subject to an increasing number of claims. Our in-network hospitals were the subject of several such claims during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, the total amount of monetary compensation paid by our in-network hospitals to settle medical disputes was approximately RMB4.2 million. Currently Longyan Boai Hospital is the only in-network hospital that maintains medical liability insurance. Therefore, our other in-network hospitals may be subject to losses and liabilities for any future claims against them. In addition, Longyan Boai Hospital may face liabilities that exceed its available insurance coverage or which arise from claims outside the scope of its insurance coverage. It may also experience gaps in coverage when seeking to renew its insurance policies or seeking to change insurance providers. We cannot assure you that Longyan Boai Hospital will be able to renew its insurance coverage at a reasonable cost, if at all, or that it will not incur uninsured losses and liabilities. Insurers may also dispute or refuse to honor claims for a variety of unforeseen reasons beyond our control.

Furthermore, we do not maintain any business interruption insurance, property insurance or product liability insurance, which we believe is consistent with industry practice in China. Any significant uninsured loss could have material and adverse effects on our business, financial condition and results of operations.

Failure to comply with PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business, financial condition and results of operations.

We occupy certain properties in the PRC in connection with our business operations. Some of these properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the Latest Practicable Date, Chongqing Hygeia Hospital and Heze Hygeia Hospital had not obtained the building ownership certificates for certain of their properties. Please see "Business – Properties – Owned Properties." There is no assurance that we will be able to obtain the relevant certificates as anticipated, in which case we may be required to demolish or vacate from the relevant properties within the prescribed time period and subject to penalties against us. Furthermore, as of the Latest Practicable Date, 10 of our lease agreements had not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period.

We have limited or no control over the quality of pharmaceuticals, medical consumables and other medical equipment used in the operations of our in-network hospitals. If such quality does not meet the required standards, we could be exposed to liabilities and our reputation, business, results of operations, financial condition and prospects could be adversely affected.

The provision of healthcare services involves the frequent use of a variety of pharmaceuticals, medical equipment and medical consumables, substantially of which we procure from suppliers we do not have control over. We cannot assure you that all supplies are authentic, free of defects and meet the relevant quality standards. If these supplies are subsequently found to have been defective at the time of the supply, even though we did not know or could not have known about such defect, we may be subject to liability claims, negative publicity, reputational damage or administrative sanction, any of which may adversely affect our results of operations and reputation. We cannot assure you that significant claims of such nature will not be asserted against us in the future, and that adverse verdicts will not be reached or that we will be able to recover losses from our suppliers. In addition, we cannot assure you that we will be able to find suitable replacement suppliers, failing which our business, results of operations, financial condition and prospects will be adversely affected.

Our in-network hospitals' operations are susceptible to fluctuations in the costs of pharmaceuticals and medical consumables, which could adversely affect our profitability and results of operations.

The profitability of our in-network hospitals is influenced by fluctuations in the costs of pharmaceuticals and medical consumables. For example, for the years ended December 31, 2017, 2018 and 2019, our cost of pharmaceuticals, consumables and other inventories amounted to RMB175.7 million, RMB224.9 million and RMB267.0 million, respectively, representing 41.1%, 42.6% and 35.3% of our total cost of revenue for the same periods, respectively.

The availability and prices of the pharmaceuticals and medical consumables can fluctuate from time to time and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect the procurement costs or cause a disruption in the supply. Consistent with industry practice, we and our in-network hospitals have not entered into any long-term supply agreements with our suppliers and we cannot assure you that our in-network hospitals will be able to anticipate and react to changes in medical supply costs in the future by locating replacement suppliers or adjusting service offerings, or that our in-network hospitals will be able to pass these cost increases onto the patients. Any of these factors may have a material and adverse effect on our profitability and results of operations.

We could be exposed to risk related to our dealing with patients' personal and medical information.

Our in-network hospitals collect and maintain personal and medical information of their patients. PRC laws and regulations generally require medical institutions and their medical professionals to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. Our in-network hospitals and their medical professionals will be liable for damage caused by divulging the patients' private or medical records without consent.

We have taken measures to maintain the confidentiality of our patients' personal and medical information, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of our patients' personal and medical information. However, these measures may not always be effective. There is a risk that such information could be compromised in the event of a security breach at our in-network hospitals. Such information could be divulged due to, for example, theft or misuse arising from staff misconduct or negligence. In addition, although we generally do not make the patients' medical information available to the public, we use such data on an aggregated basis after redacting personally identifiable information or disclose certain data after obtaining relevant patients' consent for training and research purposes. While we believe our current usage of patients' medical information is in compliance with applicable laws and regulations governing the use of such information, any change in such laws and regulations could impose more stringent data production requirements and thus affect our ability to use medical information and subject us to liability for the use of such data for current permitted purposes. Failure to protect the confidentiality of patients' personal and medical information, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business and reputation.

The proper functioning of our and our in-network hospitals' computer network infrastructure and information technology systems is essential to our business operations, and any technological failure, security breach or other disruptions may adversely impact our business.

The computer network infrastructure and information technology systems in our in-network hospitals, such as the hospital information system, help us manage and monitor the operational performance of our in-network hospitals, such as billing, financial and budgeting data, patient records and inventory. Our in-network hospitals regularly maintain, upgrade and enhance the capabilities of information technology systems to meet operational needs. Any failure associated with the information technology systems, including those caused by power disruption or loss, natural disasters, computer viruses, hackers, network failures or other unauthorized tampering, may cause interruptions in the ability of our in-network hospitals to provide services to their patients, keep accurate records, and maintain proper business operations. In addition, if the information technology system relating to the billing and medical insurance reimbursements were to malfunction and result in the loss of related records, our in-network hospitals may not receive full payment under the public medical insurance programs, which could cause a material adverse impact on their business and results of operations. Any of the foregoing events may adversely affect our business, financial condition and results of operations.

We have recognized a large amount of goodwill. If our goodwill was determined to be impaired, it could adversely affect our results of operations and financial position.

As of December 31, 2017, 2018 and 2019, we recorded goodwill of RMB304.5 million, RMB300.3 million and RMB300.3 million, respectively, which primarily arose from the acquisitions of Longyan Boai Hospital and Suzhou Canglang Hospital. Goodwill represents the excess of the (a) the aggregate of the fair value of consideration transferred over (b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill arising from the acquisitions of Longyan Boai Hospital and Suzhou Canglang Hospital has been allocated to the operations of these two hospitals as individual cash-generating units of our Group. The recoverable amounts of these cash-generating units have been determined based on a value in use calculation. Please see "Financial Information – Critical Accounting Policies and Estimates – Estimated Impairment of Goodwill" for more details. We did not record any impairment charge on goodwill during the Track Record Period.

In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. This analysis further requires us to make assumptions about compounded revenue growth rates, cost and operating expense as a percentage of revenue, useful life of the goodwill, long-term growth rates and pre-tax discount rates. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the assessment of goodwill recoverability. However, we cannot assure you that our assumptions will prove to be correct. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of these two hospitals, unexpected significant declines in the operating results of these two hospitals, any divestiture of a significant component of our business or a decline in our market capitalization, any of which could be caused by our failure to successfully operate these two hospitals. Our estimates of the projected cash flows from these two hospitals may be susceptible to downward revision as a result of factors adversely affecting our hospital business, or under circumstances where we fail to sustain the growth we have estimated. If we were required to recognize impairment charges, they could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges could negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position.

We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

As of December 31, 2017, 2018 and 2019, we had intangible assets (other than goodwill) of RMB83.2 million, RMB83.1 million and RMB85.4 million, respectively, which consisted of software, contractual rights to provide management services and medical licenses. After initial recognition, we determine whether these intangible assets are impaired at end of each reporting period if events or changes in circumstance indicate that the carrying amount of these assets exceeds its recoverable amount. As a result, our evaluations in the future on these intangible assets may result in material impairment charges that would have a material impact on our results of operations and potentially the price of our Shares.

We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.

We have invested in, and intend to continue to selectively invest in, short-term wealth management products issued by reputable commercial banks. We recorded realized and unrealized gains on financial assets at fair value through profit or loss of RMB12.4 million, RMB6.7 million and RMB5.2 million for the years ended December 31, 2017, 2018 and 2019, respectively. The fair value changes of our investments measured at fair value through profit or loss may negatively affect our financial performance. Furthermore, the valuations of our investments require the use of unobservable inputs, such as expected return rate and discounted rate, which in turn could negatively affect our financial conditions and results.

We are subject to credit risk in respect of our trade receivables.

Our trade receivables mainly represent the balances due from the patients and public medical insurance programs for healthcare services provided by our self-owned hospitals, hospital partners for our Radiotherapy Center Services and other licensees of our proprietary SRT equipment. For risks associated with amounts due from public medical insurance programs, please see "– Our 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 our results of operations." We typically grant credit terms of up to 90 days to hospital partners for our Radiotherapy Center Services and other licensees of our proprietary SRT equipment, and we follow up actively on the settlement with them to avoid overdue receivables. However, we cannot guarantee collection of amounts due from patients, public medical insurance programs, hospital partners and other licensees of our proprietary SRT equipment in a timely manner. If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be materially and adversely affected.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred income tax assets, which could have a material adverse effect on our results of operations.

We had deferred income tax assets of RMB18.1 million as of December 31, 2019. We recognize deferred income tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred income tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred income tax assets were recognized, our ability to recover such deferred income tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

Preferential tax treatment and financial subsidies we have enjoyed may change or discontinue, which may have an adverse effect on our financial condition and results of operations.

Our PRC subsidiaries are subject to the statutory EIT rate of 25%, except Gamma Star Tech and Chongqing Hygeia Hospital. During the Track Record Period, Gamma Star Tech was recognized as a "high and new technology enterprise" by the local government authority and thus was entitled to a preferential EIT rate of 15%. The recognition of Gamma Star Tech as a "high and new technology enterprise" needs to be renewed in 2020, and we cannot assure you that Gamma Star Tech will be able to successfully renew it in the future. In addition, Chongqing Hygeia Hospital has been recognized as primarily engaging in the encouraged business specified in the "Catalog of Encouraging Industries in Western China" (《西部地區鼓勵類產業目錄》) and thus is eligible for a preferential EIT rate of 15% if its revenue generated from the encouraged business accounts for more than 70% of its total revenue for the relevant financial year. Such preferential tax treatment is set to end in 2020 under current implementation regulations of the EIT Law.

The PRC government has also granted us various financial subsidies in recognition of our contribution to the local economy and expansion of our hospital network. For the years ended December 31, 2017, 2018 and 2019, we recorded government grants of RMB3.2 million, RMB3.8 million and RMB4.1 million, respectively, in our consolidated statements of comprehensive income. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items – Other Income." These financial subsidies have been given at the discretion of the local government authorities.

There is no assurance that we would continue to enjoy these preferential tax treatment or financial subsidies at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

We are not in full compliance with social insurance and housing provident funds regulations.

During the Track Record Period, we failed to fully make social insurance and housing provident fund contributions for certain of our employees. The total outstanding amount of our social insurance and housing provident fund contributions was approximately RMB6.9 million and RMB2.0 million, respectively, as of December 31, 2019. We made provisions in a total amount of RMB1.7 million, RMB3.8 million, and RMB3.4 million, respectively, in respect of the potential liabilities arising from our non-compliance concerning social insurance and housing provident fund contributions in 2017, 2018 and 2019.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations: (i) with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts (which amounted to approximately RMB0.1 million, RMB0.5 million and RMB1.0 million for the years ended December 31, 2017, 2018 and 2019), and if and only if we fail to do so, they may impose a maximum fine or penalty equivalent to three times the outstanding amounts; and (ii) with respect to housing provident funds, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. Please see "Business – Legal Proceedings and Compliance – Compliance."

Failure to comply with the PRC anti-corruption laws, regulations and rules could subject us and/or the physicians, other medical professionals and hospital administrators at our in-network hospitals to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition, results of operations.

We have adopted policies and procedures designed to ensure that the physicians, staff and hospital administrators at our in-network hospitals comply with the PRC anti-corruption laws, rules and regulations. Please see "Business – Internal Control and Risk Management." However, we operate in the healthcare sector in the PRC, which poses elevated risks of violations of anti-corruption laws, rules and regulations, and the PRC government has recently increased its anti-bribery efforts to reduce improper payments and other benefits received by physicians, staff and hospital administrators in connection with the purchase of pharmaceuticals, medical consumables and medical equipment and the provision of healthcare services. Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent our non-compliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual physicians, staff and hospital administrators without our knowledge. If this occurs, we and/or the physicians, staff and hospital administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of *force majeure* events, natural disasters or outbreaks of contagious diseases in the PRC could prevent our in-network hospitals from effectively serving their patients and thus adversely affect our results of operations.

Any occurrence of force majeure events, natural disasters or outbreaks of epidemics, including those caused by avian influenza, swine influenza, severe acute respiratory syndrome, or SARS, Middle East respiratory syndrome coronavirus, or MERS-CoV, may restrict business activities in the areas affected and materially and adversely affect our business and results of operations. In early 2009, there were reports of outbreaks of a highly pathogenic swine flu, caused by the H1N1 virus, in certain regions of Asia and Europe, and in early 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China. In May 2015, an outbreak of MERS-CoV occurred in South Korea and has spread to the PRC, resulting in widespread fear. The recent outbreak of coronavirus disease 2019, or COVID-19, has also endangered the health of many people residing in the PRC and significantly disrupted travel and local economy. In light of the epidemic brought by COVID-19, local healthcare administrative authorities may impose controls on healthcare services except for those in need for urgent medical attention. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of several natural disasters in the PRC may materially and adversely affect its economy and therefore our business. An outbreak of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our in-network hospitals ability to provide healthcare services, as well as cause temporary closure of our in-network hospitals. These events could also adversely affect our patients' demands for our service as they may not want to go to the hospitals at all. Such closures or service restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Companies Law, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

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, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

Foreign ownership of certain businesses in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao and Taiwan, foreign investors are not allowed to own 100% of the equity interest in medical institutions.

We are an exempted company incorporated in the Cayman Islands, as such, we are classified as a foreign enterprise under PRC laws and regulations. Through our indirect wholly-owned PRC subsidiary, Gamma Star Tech, we have entered into a series of Contractual Arrangements with each of Xiangshang Investment (which holds 100% equity interest in Hygeia Hospital Management), Hygeia Hospital Management and the VIE Hospitals. Please see "Contractual Arrangements" for a detailed description of the Contractual Arrangements. Through our shareholdings and the Contractual Arrangements, our Company controls the VIE Hospitals through Gamma Star Tech and, at our Company's sole discretion, can receive all of the economic interest returns generated by our VIE Hospitals.

As advised by our PRC Legal Advisors, save as disclosed in "Contractual Arrangements – Legality of The Contractual Arrangements", the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations. Please see "Contractual Arrangements – Legality of The Contractual Arrangements" for more details. However, our PRC Legal Advisors have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. In addition, certain PRC court rulings invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law. Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisors.

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or guidelines of the State Council. However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes "Foreign Investors investing in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council." We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements. If our ownership structure, Contractual Arrangements and business or that of Gamma Star Tech, Hygeia Hospital Management or the VIE Hospitals are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

- levying fines on us;
- confiscating our income or the income of Gamma Star Tech, Hygeia Hospital Management or the VIE Hospitals;
- revoking our business licenses and/or operating licenses;
- shutting down our institutions;
- discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would result in us failing to receive a portion of the economic benefits from Hygeia Hospital Management and the VIE Hospitals, which in turn may materially and adversely affect our business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and the Contractual Arrangements.

In addition, if any equity interest held by Xiangshang Investment in Hygeia Hospital Management and any equity interest held by Hygeia Hospital Management in the VIE Hospitals is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, we cannot assure you that the equity interest will be disposed of to us in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that our Contractual Arrangements were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect us by (i) increasing the tax liabilities of our VIE Hospitals without reducing the tax liability of Gamma Star Tech and Hygeia Hospital Management, which could further result in late payment fees and other penalties to our VIE Hospitals for underpaid taxes; or (ii) limiting the ability of our VIE Hospitals to obtain or maintain preferential tax treatments and other financial incentives.

The shareholder of Hygeia Hospital Management may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Our control over Hygeia Hospital Management as well as the approximately 11.56% equity interest in Shanxian Hygeia Hospital and the 30% equity interest in the other VIE Hospitals held by Hygeia Hospital Management is based upon the Contractual Arrangements with, among others, Hygeia Hospital Management and Xiangshang Investment. Xiangshang Investment may potentially have a conflict of interest with us, and it may breach its agreements with us or if it otherwise acts in bad faith, if it believes the Contractual Arrangements would adversely affect its own interests. We cannot assure you that when conflicts of interest arise between us and Xiangshang Investment, Xiangshang Investment will act completely in our interests or that the conflicts of interest will be resolved in our favor. If Xiangshang Investment does not act completely in our interests or the conflicts of interest between us and it are not resolved in our favor, our business and financial condition may be materially and adversely affected.

Currently, we do not have arrangements to address the potential conflicts of interest faced by the ultimate beneficial owners of Hygeia Hospital Management in their dual capacity as beneficial owners of our Group. We rely on the ultimate beneficial owners of Hygeia Hospital Management to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to us and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of the PRC and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime.

In addition, Xiangshang Investment may breach or refuse to renew, or cause Hygeia Hospital Management to breach or refuse to renew, the Contractual Arrangements with us. If Hygeia Hospital Management or Xiangshang Investment breaches its agreements with us or otherwise have disputes with us, we may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract our management's attention, adversely affect our ability to control Hygeia Hospital Management as well as the approximately 11.56% equity interest in Shanxian Hygeia Hospital and the 30% equity interest in the other VIE Hospitals held by Hygeia Hospital Management and otherwise result in negative publicity and adversely affect the reputation of our in-network hospitals. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

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.

We have 70% equity ownership interests in Shanxian Hygeia Hospital, Heze Hygeia Hospital, Suzhou Canglang Hospital, Chongqing Hygeia Hospital (which holds 100% equity interest in Longyan Boai Hospital), Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital and rely on the Contractual Arrangements with these hospitals, Hygeia Hospital Management and Xiangshang Investment to control the remaining equity ownership interests in these hospitals, except for the 18.44% equity ownership interest in Shanxian Hygeia Hospital held by three entities established as incentives to the employees of Shanxian Hygeia Hospital. Please see "History, Reorganization and Corporate Structure – Our Corporate Development – Establishment of New Hospitals – Shanxian Hygeia Hospital." Although we have been advised by our PRC Legal Advisors that save as disclosed in the prospectus, our Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing us with control over Hygeia Hospital Management as direct ownership. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of Hygeia Hospital Management, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. If Hygeia Hospital Management or Xiangshang Investment fails to perform its respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Contractual Arrangements. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Hygeia Hospital Management or the VIE Hospitals, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over Hygeia Hospital Management and may not prevent leakage of equity and values to the minority shareholder of the VIE Hospitals or obtain the full economic benefits of the same. Our ability to conduct our business may be negatively affected.

We 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 become subject to a dissolution or liquidation proceeding.

Hygeia Hospital Management holds 30% equity interest in each of Heze Hygeia Hospital, Suzhou Canglang Hospital, Chongqing Hygeia Hospital (which holds 100% equity interest in Longyan Boai Hospital), Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital as well as approximately 11.56% equity interest in Shanxian Hygeia Hospital. Our Contractual Arrangements contain terms that specifically provide that Hygeia Hospital Management may not be voluntarily liquidated without the written consent of Gamma Star Tech. However, if Xiangshang Investment or Hygeia Hospital Management breaches this obligation and voluntarily liquidates Hygeia Hospital Management or if Hygeia Hospital Management declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and we may be unable to continue to control Hygeia Hospital Management and may not enjoy the full economic benefits of the VIE Hospitals, which could adversely affect our business, financial condition and results of operations.

If Xiangshang Investment was to attempt to voluntarily liquidate Hygeia Hospital Management without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request Xiangshang Investment to transfer all of its equity ownership interests in Hygeia Hospital Management to an entity or individual designated by us in accordance with the exclusive option agreement with Hygeia Hospital Management and Xiangshang Investment. In addition, under the Contractual Arrangements, Xiangshang Investment does not have the right to issue dividends to itself or otherwise distribute the retained earnings or other assets of Hygeia Hospital Management without our prior consent. In the event that Xiangshang Investment initiates a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of Hygeia Hospital Management without our prior consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

If we exercise the option to acquire equity ownership of Hygeia Hospital Management, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Gamma Star Tech or its designated person(s) has the exclusive right to purchase all or any part of the equity interest in Hygeia Hospital Management from Xiangshang Investment at the minimum consideration permitted under then applicable PRC laws.

The equity transfer may be subject to approvals from and filings with the MOFCOM or its local counterparts. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. Hygeia Hospital Management will be subject to PRC enterprise income tax on the difference between the equity interest transfer price and the amount Hygeia Hospital Management has paid to obtain the equity interest in the VIE Hospitals. Hygeia Hospital Management will pay the remaining amount to Gamma Star Tech under the Contractual Arrangements. The amount to be received by Gamma Star Tech may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

RISKS RELATING TO THE PRC

China's economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

Substantially all of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce State ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the U.S. economy and the sovereign debt crisis in Europe have collectively added downward pressure to economic growth in China. The growth rate of China's real GDP has decreased from 7.3% in 2014 to 6.7% in 2016, and further decreased to 6.6% in 2018.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The "Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors" (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the "Anti-Monopoly Law" (《反壟斷法》) requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the "Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" issued by the MOFCOM (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments.

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars, as amended from time to time, to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). We believe that we should not be regarded as a PRC tax resident enterprise. Nevertheless, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares.

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under "– We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments," dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-residents investors, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The PRC government's control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of China, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of the RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movements. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Enterprise Registration System and registration with other governmental authorities in China. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local counterparts. Any medium or long-term loan to be provided by us to Hygeia Hospital Management and our VIE Hospitals must be recorded and registered by the NDRC and the SAFE or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this Global Offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the "Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises" (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**SAFE Circular 19**"), which took effect on June 1, 2015 and was amended on December 30, 2019. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the "Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange" (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》) ("**SAFE Circular 16**"). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the proceeds from this Global Offering, which may materially and adversely affect our business, financial condition and results of operations.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

On February 3, 2015, the SAT issued the "Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises" (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which abolished certain provisions in the "Notice on Strengthening the Administration of Enterprise Income Tax on on-Resident Enterprises" (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) ("**Circular 698**"), which was previously issued by the SAT on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbor**"), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Prospectus and the Global Offering," potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The "Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles" (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**") was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Each of our individual beneficial owners who is required to complete the registration under SAFE Circular 37 has duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

The legal system in the PRC has inherent uncertainties that could limit the legal protections available to our Shareholders.

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC Government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and may adversely affect the value of your investment.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. It may not be possible for investors to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned" (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Please see "Financial Information – Dividends." As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

Since there may be a gap of several Business Days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Companies Law is set out in Appendix III to this prospectus.

Facts and statistics in this prospectus may come from various sources and may not be fully reliable.

Some of the facts and statistics in this prospectus are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or independent third parties that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Joint Sponsors or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics maybe inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of the business operations of our Group are managed and conducted outside of Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed Mr. Ren Ai and Ms. Yeung Ching Man, as our authorized representatives for the purposes of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives will have means to contact all of our Directors promptly at all times. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our authorized representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;

(c) each Director who is not an ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time;

(d) we have appointed a compliance adviser, Orient Capital (Hong Kong) Limited, pursuant to Rules 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance adviser will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing, and will have access at all times to our authorized representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and

(e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives or compliance adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the listing applicant and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code");

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Ren Ai as one of the joint company secretaries. Mr. Ren Ai has extensive knowledge about our business operations and corporate culture and has extensive experience in matters concerning the Board and our corporate governance. However, Mr. Ren

Ai does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, we have appointed Ms. Yeung Ching Man, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to assist Mr. Ren Ai in the compliance matters for the Listing as well as other Hong Kong regulatory requirements for an initial period of three years from the Listing Date. Over such period, we will implement the following measures to assist Mr. Ren Ai to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Ms. Yeung Ching Man will assist Mr. Ren Ai so as to enable him to discharge his duties and responsibilities as a joint company secretary of our Company. Given Ms. Yeung Ching Man's relevant experiences, she will be able to advise both Mr. Ren Ai and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Mr. Ren Ai will be assisted by Ms. Yeung Ching Man for an initial period of three years commencing from the Listing Date, which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Mr. Ren Ai has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. Ren Ai has undertaken to attend such trainings;

(d) Ms. Yeung Ching Man will communicate with Mr. Ren Ai on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Yeung Ching Man will work closely with, and provide assistance to Mr. Ren Ai with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Ms. Yeung Ching Man and Mr. Ren Ai will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Yeung Ching Man and Mr. Ren Ai will be advised by our legal advisors as to Hong Kong law and our compliance adviser as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Ms. Yeung Ching Man is engaged as a joint company secretary and provides assistance to Mr. Ren Ai during this period. If Ms. Yeung Ching Man ceases to render assistance to Mr. Ren Ai during this period, the waiver will be immediately withdrawn. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Ren Ai to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Mr. Ren Ai, having had the benefit of Ms. Yeung Ching Man's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

See "Directors and Senior Management" for further details of Mr. Ren Ai's and Ms. Yeung Ching Man's biographies.

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, please see the section headed "Connected Transactions" in this prospectus.

ALLOCATION OF SHARES TO CORNERSTONE INVESTOR WHO IS CONNECTED WITH HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules provides that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of the Appendix 6 states that "connected clients" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

Huatai Securities Co., Ltd. holds 41.16% shares of China Southern Asset Management Co., Ltd. ("China Southern") while Huatai Financial Holdings (Hong Kong) Limited ("Huatai HK") is a wholly-owned subsidiary of Huatai Securities Co., Ltd. As a result, China Southern is a connected client of Huatai HK. China Southern will hold the Shares on a discretionary basis on behalf of Independent Third Parties.

Huatai HK has been appointed by the Company as one of the Joint Global Coordinators, Joint Bookrunners and Underwriters of the Global Offering.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules to permit China Southern to participate in the Global Offering as a cornerstone investor subject to the following conditions:

1. any Shares to be allocated to China Southern will be held for, and on behalf of, independent third parties;

2. the cornerstone investment agreement to be entered with China Southern will not contain any material terms which are more favorable to China Southern than those in other cornerstone investment agreements;

3. Huatai HK does not participate in the decision-making process or relevant discussion as to whether China Southern will be selected as a cornerstone investor;

4. China Southern has not received, and will not receive preferential treatment in the allocation as a cornerstone investor by virtue of its relationship with Huatai HK, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles as set out in HKEX-GL51-13;

5. each of the Joint Sponsors, the Company, the Joint Bookrunners, Huatai HK and China Southern will provide the Hong Kong Stock Exchange written confirmations in accordance with HKEX-GL85-16; and

6. details of the allocation will be disclosed in the prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained in this prospectus and the Application Forms and on the terms and subject to conditions set out herein and wherein. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Price Determination Date, subject to the Offer Price being agreed.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or around Friday, June 19, 2020 or such other date as agreed between parties, and in any event no later than Monday, June 22, 2020.

If, for any reason, the Offer Price is not agreed among us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Monday, June 22, 2020, the Global Offering will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedures for applying for our Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the Application Forms.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, June 29, 2020. The Shares will be traded in board lots of 200 Shares each. The stock code of the Shares will be 6078.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the market capitalization/revenue/cash flow test under Rule 8.05(2) of the Listing Rules.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTRAR AND HONG KONG STAMP DUTY

Our principal register of members will be maintained by its principal share registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited. All Offer Shares will be registered on the Company's register of members in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates:

RMB7.0808: US$1.00

HK$7.7499: US$1.00

RMB0.91459: HK$1.00

No representation is made that any amounts in HK$, RMB and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

DIRECTORS

Name	Address	Nationality
Chairman of the Board and non-executive Director		
Mr. Fang Min (方敏)	Room 1801, No. 14 Lane 625, Taixing Road Jing'an District, Shanghai the PRC	Chinese
Executive Directors		
Ms. Cheng Huanhuan (程歡歡)	Room 503, Unit 1 Yuanyang Xiangnai Lane 2158, Yangtai Road Baoshan District, Shanghai the PRC	Chinese
Mr. Ren Ai (任愛)	Room 3001, No. 7, Phase 3 Lane 1299, Dingxiang Road Pudong New Area, Shanghai the PRC	Chinese
Mr. Zhang Wenshan (張文山)	Room 501, No. 68 Lane 1498, Yunchuan Road Baoshan District, Shanghai the PRC	Chinese
Non-executive Directors		
Mr. Cao Yanling (曹彥凌)	Flat A, 16/F, Tower 5 Bel-Air on the Peak Island South (Phase IV) 68 Bel-Air Peak Avenue Pok Fu Lam Hong Kong	Chinese (Hong Kong)
Mr. Zhao Yan (趙彥)	Room 1802, No. 28 Lane 333, Weihai Road Shanghai the PRC	Chinese

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群)	Room 17-1-202, No. 188 Mengdu Street Jianye District, Nanjing the PRC	Chinese
Mr. Chen Penghui	Room 2001, No. 6 Lane 758, Beijing West Road Jing'an District, Shanghai the PRC	American
Mr. Ye Changqing (葉長青)	Flat B, 36/F Tower 6 Harbour Green 8 Sham Mong Road Tai Kok Tsui, Kowloon Hong Kong	Chinese (Hong Kong)

For further information regarding our Directors, please see the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Haitong International Capital Limited 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Morgan Stanley Asia Limited** *(in relation to the Hong Kong Public Offering)* 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering)
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Legal Advisors to Our Company

As to Hong Kong laws
William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central, Hong Kong

As to United States laws
O'Melveny & Myers LLP
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to Cayman Islands laws
Harney Westwood & Riegels
3501 The Center
99 Queen's Road
Central
Hong Kong

	As to PRC laws **Tian Yuan Law Firm** 10/F, CPIC Plaza B No. 28 Fengsheng Lane Xicheng District Beijing, PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States laws* **Clifford Chance** 27/F Jardine House 1 Connaught Place Hong Kong
	As to PRC laws **Commerce and Finance Law Offices** 6/F NCI Tower A12 Jianguomenwai Avenue Beijing, PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* Registered Public Interest Entity Auditor 22/F, Prince's Building Central Hong Kong
Compliance Adviser	**Orient Capital (Hong Kong) Limited** Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters in the PRC	Suites 702-707 Enterprise Square No. 228 Meiyuan Road Jing'an District, Shanghai the PRC
Principal place of business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's website	www.hygeia-group.com.cn (*the information contained on the website does not form part of this prospectus*)
Joint Company Secretaries	Mr. Ren Ai (任愛) Suite 706 Enterprise Square No. 228 Meiyuan Road Jing'an District, Shanghai the PRC Ms. Yeung Ching Man (楊靜文) *Member of the Hong Kong Institute of Certified Public Accountants* 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	Mr. Ren Ai (任愛) Suite 706 Enterprise Square No. 228 Meiyuan Road Jing'an District, Shanghai the PRC Ms. Yeung Ching Man (楊靜文) 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Ye Changqing (葉長青) *(Chairman)* Mr. Fang Min (方敏) Mr. Liu Yanqun (劉彥群)
Remuneration Committee	Mr. Chen Penghui *(Chairman)* Mr. Liu Yanqun (劉彥群) Mr. Ren Ai (任愛)
Nomination Committee	Mr. Liu Yanqun (劉彥群) *(Chairman)* Mr. Ren Ai (任愛) Mr. Chen Penghui
Principal Share Registrar and Transfer Office	Harneys Fiduciary (Cayman) Limited 4th floor, Harbour Place 103 South Church Street P.O. Box 10204 Grand Cayman, KY1-1002 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

Principal Bankers

China Merchants Bank Co., Ltd.
Shanghai Huaizhong Sub-branch
1/F, 18/F, Boyin International Building
No. 398 Middle Huaihai Road
Huangpu District, Shanghai
the PRC

Bank of Communications Co., Ltd.
Shanghai Jinshan Sub-branch
No. 68 West Weiqing Road
Jinshan District, Shanghai
the PRC

Bank of China
Shanghai Hanzhong Road Sub-branch
No. 218 Hengfeng Road
Jing'an District, Shanghai
the PRC

Certain information and statistics set out in this section and elsewhere in this prospectus have been derived from various government publications, market data providers and other Independent Third Party sources. In addition, certain information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Frost & Sullivan in connection with the Global Offering, or the Frost & Sullivan Report. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. None of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering (except for Frost & Sullivan) or their respective directors, advisers and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering (except for Frost & Sullivan) or their respective directors, advisers and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus. For the above reasons, information contained in this section should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the oncology healthcare service market for use in this prospectus. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in the prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB660,000, and is disclosed with the consent of Frost & Sullivan.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published sources including national statistics, annual reports of listed companies, industry reports and data based on Frost & Sullivan's own research database; and (ii) primary research, which involved in-depth interviews with the industry participants.

Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall oncology healthcare service market and various segment markets in China:

- China's economy is expected to grow at a steady rate supported by favorable government policies as well as global economic recovery, among other factors;
- China's total population continues to show an upward trend and the proportion of elderly population will grow rapidly;
- No material changes in government policies in regards of the oncology healthcare service market in China;
- No major technological breakthrough in the relevant industry will occur from 2020 to 2024; and
- In addition to macroeconomic factors, certain industry drivers, including but not limited to the increasing disposable income and increasing awareness of health, are likely to drive demand in the forecast period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

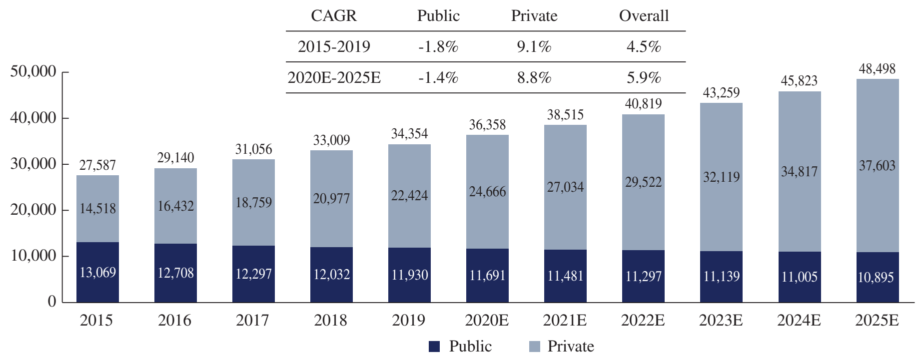
OVERVIEW OF THE HEALTHCARE MARKET AND THE HOSPITAL MARKET IN CHINA

Healthcare institutions in China comprise hospitals, primary healthcare institutions (such as community health centers, rural health centers and village clinics) and other healthcare institutions (such as centers for disease control, maternity & child healthcare institutions, special disease prevention agencies). Due to increasing prevalence of chronic diseases as well as increasingly affluent and rapidly ageing population, the total revenue generated by healthcare institutions in China increased with a CAGR of 11.7% from RMB2,643.5 billion in 2014 to RMB4,111.2 billion in 2018, and is forecasted to grow further at a CAGR of 8.6% from 2019 to 2024, reaching RMB6,861.5 billion in 2024. The major portion of the total revenue of healthcare institutions in China is derived from hospitals.

By the end of 2019, there were 34,354 hospitals in China. By the scope of healthcare services provided, China's hospitals can be classified into general hospitals, specialty hospitals, traditional Chinese medicine hospitals and other hospitals. Alternatively, by the type of ownership, China's hospitals can be generally classified into public hospitals and private hospitals in terms of ownership.

From 2015 to 2019, the number of public hospitals in China declined from 13,069 to 11,930, while the number of private hospitals increased rapidly with a CAGR of 9.1% from 14,518 to 22,424. It is expected that the number of public hospitals in China will further decline from 11,691 to 10,895 from 2020 to 2025, while the number of private hospitals will continue to increase with a CAGR of 8.8% from 24,666 to 37,603.

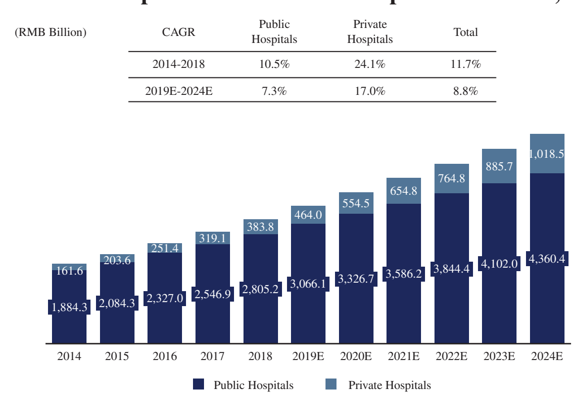
Number of Public Hospitals and Private Hospitals in China, 2015-2025E



Source: NHC, Frost & Sullivan analysis

Leveraging opportunities arising from China's hospital reform and favorable government policies, the revenue of private hospitals in China grew with a CAGR of 24.1% from RMB161.6 billion in 2014 to RMB383.8 billion in 2018, and is expected to further grow at a CAGR of 17.0% from 2019 to 2024, reaching RMB1,018.5 billion in 2024.

Revenue of Public Hospitals and Private Hospitals in China, 2014-2024E



Source: NHFPC, Frost & Sullivan analysis

OVERVIEW OF ONCOLOGY HEALTHCARE SERVICES

Oncology is a branch of medicine that deals with screening, diagnosis, and treatment of cancer.

Cancer Screening and Diagnosis

Currently, cancer screening and diagnosis methods mainly include imaging examination, tumor marker detection, endoscopy, pathological examination and genetic tests.

Imaging Examination

Imaging examination uses imaging techniques, such as CT, MRI, ultrasound, X-ray and fluoroscopy, to obtain internal human body images and detect and analyze pathological changes.

Tumor Marker Detection

A tumor marker refers to a substance that arises from a host's stimulatory response to a tumor, or a substance that characteristically exists in, or has been abnormally produced by, a malignant tumor cell. Such markers can reflect tumorigenesis and can also be used to monitor the effectiveness of oncology treatment. Commonly used tumor markers primarily include CEA, alpha-fetoprotein and prostate specific antigen. However, for many types of cancer, there are no reliable tumor markers based on which diagnosis can be made. Therefore, the combination of several related markers are usually adopted to improve the accuracy of diagnosis.

Endoscopy

Endoscopy is a clinical procedure in which an endoscope is used to look deep into human body and examine the lesions from multiple angles. Commonly used endoscopes include gastroscopy, colonoscopy, cystoscopy, hysteroscopy and laparoscopy. In addition, endoscopy can be performed in conjunction with biopsy or treatment.

Pathological Examination

Pathological examination is a method in which physicians obtain tissue or cell samples during biopsy or surgery, observe such samples using microscopes and detect pathological changes in organs, tissues and even cells of human body accordingly.

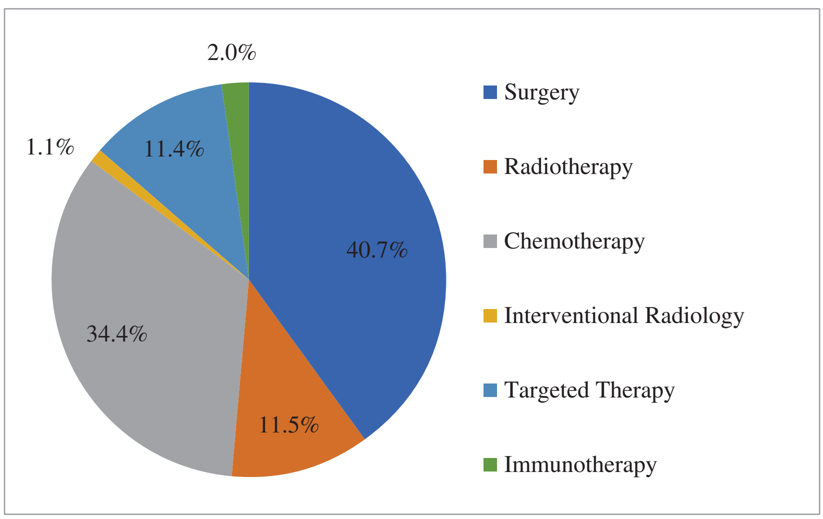
Genetic Tests

Genetic tests are used to screen cancers that are associated with hereditary or acquired genetic defects through blood tests. Genetic tests enable patients with family history of oncology diseases to take preventive measures before the appearance of symptoms.

Oncology Treatment

Currently, oncology treatment options primarily include surgery, radiotherapy, interventional radiology, chemotherapy, targeted therapy and immunotherapy.

Market Share of Oncology Treatment Options, 2019



Surgery

Surgery is a clinical procedure in which a surgeon removes the cancer from an oncology patient with the aid of tools. It is effective for solid tumors with clear periphery at fixed positions or tumors at early stage. When the tumors have spread or systemic metastases have occurred, surgical treatment may not be suitable any more. Surgery typically costs RMB10,000 to RMB50,000 per procedure.

Radiotherapy

Radiotherapy uses high energy to kill malignant cancer cells or other benign tumor cells. Since the discovery of X-ray in 1895, radiotherapy has developed rapidly across the world, and it is now considered applicable to various types of cancer, including solid tumors and hematologic tumors. Approximately 70% of oncology patients need radiotherapy treatment at different stages of disease development, where radiotherapy functions either alone, or together with surgery or chemotherapy. Radiotherapy typically costs RMB10,000 to RMB30,000 per course of treatment.

In particular, radiotherapy is considered the primary curative treatment option for a wide variety of localized tumors, such as nasopharynx cancer and lymphoma. Radiotherapy is also widely used as adjuvant and neo-adjuvant treatment before and/or after surgery or chemotherapy and has been proven to be very effective in the local control of tumors, resulting in better five-year survival. Moreover, radiotherapy can offer palliative care and relieve cancer symptoms where a cure is not a viable goal. In addition to malignant tumors, radiotherapy can be used to treat benign tumors as well as certain cerebrovascular, neurological and psychiatric disorders.

Radiotherapy equipment includes external beam radiotherapy equipment and internal beam radiotherapy equipment. The main external beam radiotherapy equipment used in China include traditional and advanced linear accelerators such as CyberKnife and TomoTherapy, cobalt-60 SRT equipment such as Gamma Knife, as well as proton and heavy ion radiotherapy equipment. The main internal beam radiotherapy equipment used in China include gamma-ray brachytherapy afterloader and neutron brachytherapy afterloader.

Chemotherapy

Chemotherapy uses one or more pharmaceuticals to kill cancer cells and control their growth. Similar to radiotherapy, chemotherapy applies to various types of cancer, either alone or in combination with other treatment options. Chemotherapy is a systemic treatment and thus effective for most oncology patients no matter at which stage of disease development they are. Chemotherapy typically costs RMB50 to RMB300 per day.

Interventional Radiology

Interventional radiology, a burgeoning minimally invasive therapy, is a clinical procedure in which the treatment is conducted by using instruments like puncture needles that are guided by medical imaging equipment. Interventional radiology can be used to treat various types of solid tumors. Interventional radiology typically costs RMB10,000 to RMB40,000 per procedure.

Targeted Therapy

Targeted therapy typically uses small-molecule drugs or monoclonal antibodies to prevent the proliferation and spread of cancer cells by targeting the specific genes, proteins or tissue environments which contribute to the proliferation and spread of such cancer cells. Targeted therapy is applicable to various types of cancer with detectable targets. Targeted therapy typically costs RMB400 to RMB800 per day.

Immunotherapy

Immunotherapy uses biological agents to treat cancer by inducing, enhancing or restraining the immunoreactions of oncology patients, and it is considered suitable for various types of cancer, including solid tumors and hematologic cancer. Immunotherapy typically costs RMB500 to RMB1,500 per day.

OVERVIEW OF ONCOLOGY HEALTHCARE SERVICE MARKET IN CHINA

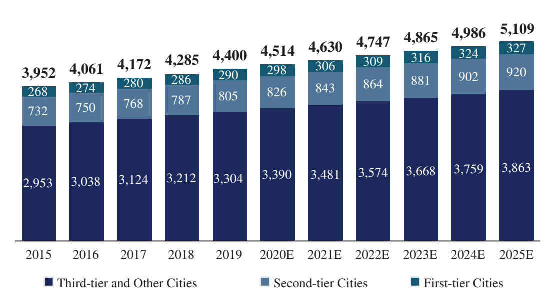
Market Size

Due to increasing stress in life and work, and unhealthy living habits, cancer incidence in China grew from approximately 4.0 million in 2015 to approximately 4.4 million in 2019, which was the highest in the world and is expected to reach approximately 5.1 million in 2025. Third-tier and Other Cities contributed the largest proportion of cancer incidence in China.

Cancer Incidence in First-tier Cities, Second-tier Cities and Third-tier and Other Cities in China, 2015-2025E

(Thousand)

CAGR	First-tier Cities	Second-tier Cities	Third-tier and Other Cities
2015-2019	2.1%	2.4%	2.8%
2020E-2025E	1.9%	2.2%	2.6%



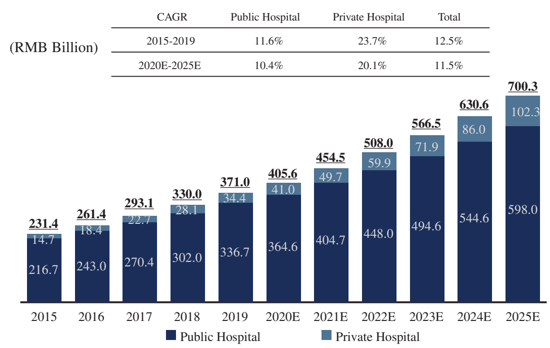
Source: Frost & Sullivan analysis

However, the latest five-year survival rate in China is merely 40.5%, which is much lower than that of 66.9% in the United States. During the past five years, cancer deaths per year in China increased from approximately 2.3 million in 2015 to approximately 2.6 million in 2019, and is estimated to reach approximately 3.1 million in 2025.

With the growing demand for oncology healthcare services, total revenue of oncology healthcare service market in China grew with a CAGR of 12.5% from RMB233.1 billion in 2015 to RMB373.7 billion in 2019, and is expected to grow further at a CAGR of 11.5% from 2020 to 2025, reaching RMB710.0 billion in 2025.

Oncology healthcare institutions comprise hospitals and other medical institutions, such as maternal and child healthcare institutions (婦幼保健院) that are able to treat pediatric and gynecologic tumors, among which, hospitals contributed to substantially all of the oncology healthcare service revenue. Hospitals that provide oncology healthcare services, or oncology hospitals, can be mainly categorized into (i) public and private general hospitals with oncology departments; and (ii) public and private oncology specialty hospitals. Total oncology healthcare service revenue generated by oncology hospitals in China increased with a CAGR of 12.5% from RMB231.4 billion in 2015 to RMB371.0 billion in 2019, and is forecasted to grow further at a CAGR of 11.5% from 2020 to 2025, reaching RMB700.3 billion in 2025, showing a faster growth than the overall hospital market in China. In particular, the oncology healthcare service revenue generated by private oncology hospitals has increased at a higher speed than that of public oncology hospitals in China, which grew with a CAGR of 23.7% from RMB14.7 billion in 2015 to RMB34.4 billion in 2019, and is expected to grow further at a CAGR of 20.1% from 2020 to 2025, reaching RMB102.3 billion in 2025.

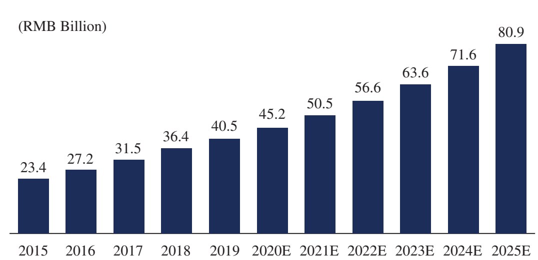
Oncology Healthcare Service Revenue of Public Oncology Hospitals and Private Oncology Hospitals in China, 2015-2025E



Source: NHC, Frost & Sullivan analysis

Compared with the overall oncology healthcare service market, radiotherapy treatment service market has demonstrated a faster growth in terms of the revenue generated by oncology hospitals. Revenue generated from radiotherapy treatment services by oncology hospitals increased from RMB23.4 billion in 2015 to RMB40.5 billion in 2019, representing a CAGR of 14.7%, and is expected to grow further from RMB45.2 billion in 2020 to RMB80.9 billion in 2025, representing a CAGR of 12.4%.

Radiotherapy Treatment Service Revenue of Oncology Hospitals in China, 2015-2025E

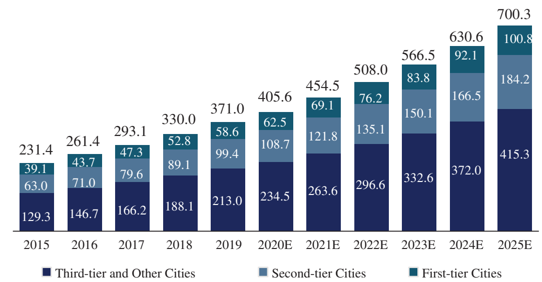


Source: Frost & Sullivan analysis

In terms of geographic markets, the Third-tier and Other Cities accounted for the largest proportion of oncology hospital market in China. Revenue generated from oncology hospitals in the Third-tier and Other Cities increased from RMB129.3 billion in 2015 to RMB213.0 billion in 2019, representing a CAGR of 13.3%, and is expected to grow further from RMB234.5 billion in 2020 to RMB415.3 billion in 2025, representing a CAGR of 12.1%.

Oncology Healthcare Service Revenue of Oncology Hospitals in China and Breakdown by First-tier Cities, Second-tier Cities and Third-tier and Other Cities, 2015-2025E

(RMB Billion) CAGR	First-tier Cities	Second-tier Cities	Third-tier and Other Cities
2015-2019	10.6%	12.1%	13.3%
2020E-2025E	10.1%	11.1%	12.1%



Source: Frost & Sullivan analysis

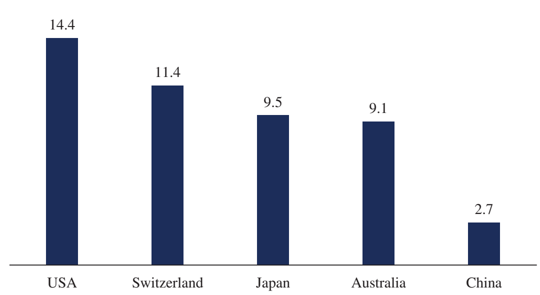
Features of Oncology Healthcare Service Market in China

The oncology healthcare service market in China has the following features, indicating great development potential and significant unmet market demand.

- ***Low screening rate at early stage***: The timing of diagnosis is critical to cancer treatment. In the event that cancer be detected, monitored and treated in a timely manner, the five-year survival rate will be significantly improved. Due to the lack of awareness of cancer prevention and low screening rate of cancer at early stage, cancer incidence in China has increased rapidly, while the five-year survival rate is less than two-thirds of that in the United States.

- ***Low penetration rate of radiotherapy***: Radiotherapy is one of the most common oncology treatment options and approximately 70% of oncology patients need radiotherapy treatment at different stages of disease development. Although radiotherapy has went through a long history of development in China, due to shortage in medical resources, its popularity has always been low. In 2015, only 23% of oncology patients in China received radiotherapy treatment, compared with 60% in the United States. In addition, in 2019, the number of radiotherapy equipment per million population in China was merely 2.7, compared to 14.4 in the United States, 11.4 in Switzerland, 9.5 in Japan and 9.1 in Australia.

Number of Radiotherapy Equipment per Million Population in Major Countries, 2019



Source: IAEA, Society of Oncology Radiotherapy of Chinese Medical Association, Frost & Sullivan analysis

Key Drivers of Oncology Healthcare Service Market in China

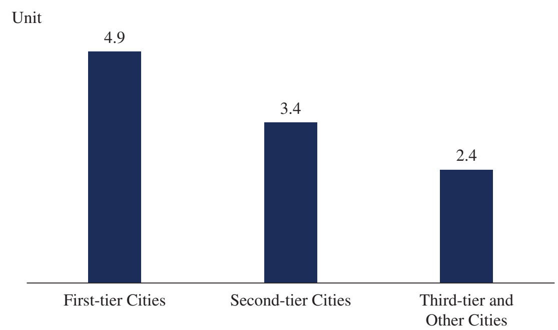
The oncology healthcare service market in China is expected to continue its growth and such expectation is determined by several key drivers as set out below.

- ***Ageing population and increase in cancer patients***: The accelerating ageing trend, prolonged life expectancy and prevalence of chronic diseases will further drive up the demand for healthcare services in China. In particular, cancer incidence in China kept growing year after year. Please see "– Market Size" for details about increase in cancer incidence.

- ***Shortage in and uneven distribution of medical resources***: With the rapid growth of cancer incidence and the increasing awareness of cancer treatment, the number of both outpatient and inpatient visits in oncology healthcare institutions in China have shown an upward trend.

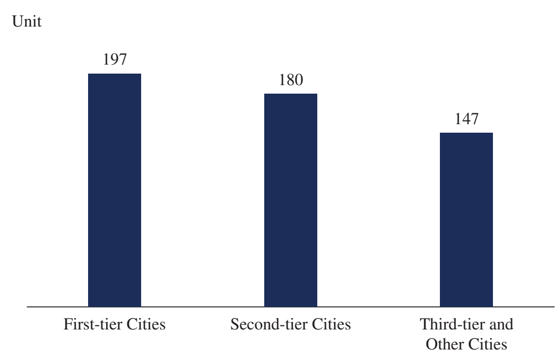
However, the oncology medical resources in China are still in short supply. For instance, the occupancy rate of beds in oncology healthcare institutions have been maintained at an overload level for a long time. In 2018, the occupancy rate of beds in oncology specialty hospitals in China reached 106.1%, being the highest among all specialty hospitals. The oncology healthcare service market in China is also characterized by uneven geographical distribution of the limited medical resources, which mainly concentrate in the First-tier Cities and Second-tier Cities. For instance, in 2019, the number of radiotherapy equipment per million population in the First-tier Cities and Second-tier Cities in China was 4.9 and 3.4, respectively, compared to 2.4 in Third-tier and Other Cities. In addition, in 2018, the number of beds in operation in oncology department of hospitals in Third-tier and Other Cities per million population was 147, compared to 180 in the Second-tier Cities and 197 in the First-tier Cities. The increase in market demand and the shortage in supply will attract more social capital contribution, which in turn will stimulate the rapid development of oncology healthcare service market.

Number of Radiotherapy Equipment per Million Population in First-tier Cities, Second-tier Cities and Third-tier and Other Cities, 2019



Source: IAEA, Society of Oncology Radiotherapy of Chinese Medical Association, Frost & Sullivan analysis

Number of Beds in Operation in Oncology Department of Hospitals in First-tier Cities, Second-tier Cities and Third-tier and Other Cities in China per Million Population, 2018



Source: NHC, Frost & Sullivan analysis

- ***Continuous technological advancement***: Owing to the development of science and technology, new oncology treatment technologies have emerged, enabling more customized and precise treatment plans for oncology patients with different symptoms and demands. Taking radiotherapy as an example, combined with computer science and medical imaging techniques, radiotherapy achieves precise treatment by concentrating high-dose radiation on the lesion and destroying tumor cells without affecting the surrounding normal tissue. The continuous advancement of oncology treatment technologies will further promote the development of oncology healthcare service market in China.

- ***Increase in disposable income and expansion of medical insurance coverage***: According to the NBSC, the per capita annual disposable income in China has increased from RMB21,966 in 2015 to RMB30,733 in 2019, representing a CAGR of 8.8%. The growth in disposable income has greatly increased the purchasing power of PRC population, which makes it easier for them to afford oncology healthcare services. Meanwhile, the public medical insurance coverage in China has been increasing, with participation in public medical insurance programs exceeding 90% of the total population in Second-tier Cities and Third-tier and Other Cities in China. In addition, the PRC government encourages patients to receive treatment in local hospitals through offering more favorable reimbursement level for medical bills incurred locally. Furthermore, commercial insurance providers have been paying more attention to critical illnesses and have launched various new types of insurance products accordingly, thus further enlarging the medical insurance coverage of oncology diseases. The expansion of medical insurance coverage will further improve the affordability of patients in China.

Entry Barriers of Oncology Healthcare Service Market in China

New entrants of the oncology healthcare service market in China face the following entry barriers:

- ***High upfront capital investments***: New market entrants usually need a large sum of initial capital to cover land acquisition costs and construction costs and to purchase high-end and sophisticated cancer screening, diagnosis and treatment equipment. Therefore, new entrants have to prepare abundant capital to support their operation of business in the early stage. It generally takes three to four years for a general hospital with a GFA of 25,000 sq.m. to 80,000 sq.m. to became operational and around another three years for such a hospital to break even after commencement of operations.

- ***High requirement for seasoned medical professionals and advanced medical technologies***: Oncology is a highly complex specialty and therefore, seasoned oncologists and oncology technicians are in high demand in China. The resources and time required to train a seasoned oncologist are high. New market entrants will be confronted with difficulties in recruiting and retaining seasoned medical professionals. In addition, new market entrants need to possess advanced medical technologies to ensure medical quality and safety.

- ***Difficulty in establishing brand reputation***: Cancer is a severe disease which can cause death. Therefore, patients exercise extreme caution when choosing medical institutions. It is difficult for new market entrants to establish good brand reputation and achieve stable patient flow in a short period of time.

Future Trends of Oncology Healthcare Service Market in China

The oncology healthcare service market in the PRC is expected to be influenced by the following trends:

- ***Increasing market share of radiotherapy***: China has a history of overuse of medication and underuse of radiotherapy in cancer treatment. Therefore, medication has accounted for the largest proportion of oncology healthcare service market for a long time, while the market share of radiotherapy has remained relatively low. Along with the increasing awareness of radiotherapy and growing availability of radiotherapy equipment, it is expected that the market share of radiotherapy will rise.

- ***Growing importance of multi-disciplinary treatment***: Due to the complexity of oncology treatment, compared with single-discipline treatment, multi-discipline treatment, which requires collaboration among various clinical and medical technical departments, enables a more systematic and comprehensive treatment plan for oncology patients. In August 2018, NHC promulgated "Work Plan for Pilot Program of Oncology Multi-disciplinary Diagnosis and Treatment (2018-2020) (腫瘤多學科診療試點工作方案(2018-2020年))" to promote the establishment and development of multi-discipline treatment. Leveraging support from the PRC government, we expect multi-discipline treatment to gain increasing popularity in the future.

- ***Rise of private hospitals***: Although public hospitals still dominate the oncology healthcare service market in China, they are unable to fully satisfy the rapid growth in demand for oncology healthcare services, especially in Second-tier, Third-Tier and Other Cities, creating market opportunities for private hospitals which may operate with more flexibility and can offer more people oriented care to patients. As such, private hospitals are expected to continue to benefit from incentive government policies and capitalize on future growth opportunities in this underserved market.

- ***Full-cycle of cancer care***: Oncology healthcare institutions is pursuing to address the full cycle of care from cancer screening and diagnosis to oncology treatment, to post-treatment rehabilitation, and to hospice care for end-of-life patients, which we expect will further enlarge the oncology healthcare service market in China.

Competitive Landscape

We are one of the key players in oncology healthcare service market in China. Among all the competitors, we ranked second in terms of the number of hospitals (including both public and private (both for-profit and not-for-profit) hospitals) with equity ownership or organizer's interest (舉辦人權益) providing oncology healthcare services as of December 31, 2019.

Top Five Players in Oncology Healthcare Service Market in China by Number of In-network Hospitals as of December 31, 2019

Rank	Healthcare Group	Number of In-network Hospitals
1	Group A	11
2	Our Group	10
2	Group B	8
4	Group C	7
5	Group D	6

Source: Frost & Sullivan analysis

Top Five Players in Oncology Healthcare Service Market in China by Number of Self-owned Hospitals Only as of December 31, 2019(1)

Rank	Healthcare Group	Number of Self-owned Hospitals Only
1	Group A	10
2	Our Group	7
3	Group B	6
3	Group C	6
5	Group M	4

Source: Frost & Sullivan analysis

Note:

(1) This ranking has been set out for illustrative purpose only.

As an important segment of our business, we provide Radiotherapy Center Services to certain hospital partners in connection with their radiotherapy centers. As of December 31, 2019, we ranked first in terms of the number of radiotherapy equipment installed in in-network hospitals and radiotherapy centers.

Top Five Players in Oncology Healthcare Service Market in China by Number of Radiotherapy Equipment Installed as of December 31, 2019

Rank	Healthcare Group	Number of Installed Radiotherapy Equipment
1	Our Group	28
2	Group F	21
3	Group E	20
4	Group G	16
5	Group H	14

Source: Frost & Sullivan analysis

Top Three Players in Oncology Healthcare Service Market in China by Number of Installed Radiotherapy Equipment in Self-owned Hospitals Only as of December 31, 2019(1)

Rank	Healthcare Group	Number of Installed Radiotherapy Equipment in Self-owned Hospitals Only
1	Group E	11
2	Our Group	9
3	Group F	3

Source: Frost & Sullivan analysis

Note:

(1) This ranking has been set out for illustrative purpose only.

Our oncology-related services comprise (i) provision of oncology healthcare services in our self-owned hospitals; and (ii) services under our third-party radiotherapy business, namely (a) provision of radiotherapy center consulting services, (b) licensing of our proprietary SRT equipment, (c) provision of maintenance and technical support services in relation to our proprietary SRT equipment and (d) sales of our proprietary SRT equipment. Our radiotherapy-related services comprise (i) provision of radiotherapy treatment services in our self-owned hospitals; and (ii) services under our third-party radiotherapy business. We ranked second among all private oncology healthcare groups in China in terms of revenue generated from oncology-related services in 2019. Meanwhile, we ranked first among all oncology healthcare groups in terms of revenue generated from radiotherapy-related services in 2019.

Top Five Players in Oncology Healthcare Service Market in China by Revenue Generated from Radiotherapy-related Services in 2019

Rank	Healthcare Group	Revenue Generated from Radiotherapy-related Services (RMB million)
1	Our Group	236
2	Group I[(1)]	223
3	Group J[(1)]	182
4	Group K[(1)]	145
5	Group L[(1)]	130

Source: Frost & Sullivan analysis

Note:

(1) Indicating public healthcare institutions.

Top Five Players in Oncology Healthcare Service Market in China by Revenue Generated from Radiotherapy-related Services by Self-owned Hospitals Only in 2019[(1)]

Rank	Healthcare Group	Revenue Generated from Radiotherapy-related Services by Self-owned Hospitals Only (RMB million)
1	Group I	223
2	Group J	182
3	Group K	145
4	Group L	130
5	Group P	115

Source: Frost & Sullivan analysis

Note:

(1) This ranking has been set out for illustrative purpose only. We ranked the ninth in terms of revenue generated from radiotherapy-related services by self-owned hospitals in 2019. Our radiotherapy-related services comprise both (i) radiotherapy treatment services provided by our self-owned hospitals; and (ii) services under our third-party radiotherapy business. When taking account of revenue generated from radiotherapy-related services provided by self-owned hospitals only, all of top five market players are large-scale public healthcare institutions which are primarily focused on radiotherapy treatment services only.

Top Five Players in Private Oncology Healthcare Service Market in China by Revenue Generated from Oncology-related Services in 2019

Rank	Healthcare Group	Revenue Generated from Oncology-related Services (RMB million)
1	Group M	754
2	Our Group	501
3	Group C	329
4	Group N	327
5	Group O	279

Source: Frost & Sullivan analysis

Top Five Players in Oncology Healthcare Service Market in China by Revenue Generated from Oncology-related Services by Self-owned Hospitals Only in 2019[(1)]

Rank	Healthcare Group	Revenue Generated from Oncology-related Services by Self-owned Hospitals Only (RMB million)
1	Group M	754
2	Our Group	366
3	Group N	327
4	Group Q	230
5	Group R	219

Source: Frost & Sullivan analysis

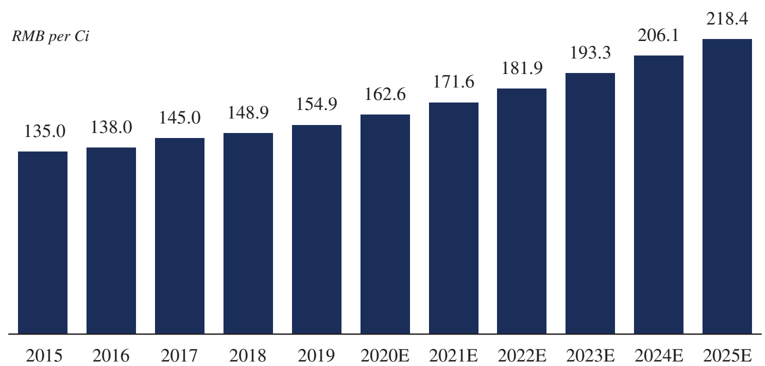
Note:

(1) This ranking has been set out for illustrative purpose only.

MARKET PRICE OF COBALT-60 SOURCE

Price of Cobalt-60 for Medical Applications in China, 2015-2025E

Period	CAGR
2015-2019	3.5%
2020E-2025E	6.1%



Source: Frost & Sullivan analysis

OVERVIEW

Our business in the PRC is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business, particularly in relation to: (1) reforms of medical institutions that may affect our capabilities to implement our existing business strategies for the expansion of our hospital network; (2) the classification and management of medical institutions, supervision of medical devices and pharmaceuticals in medical institutions, price of healthcare services and medicine, medical professionals, environmental protection and labor protection, and the governance of our day-to-day operations which may affect our costs of compliance; (3) medical incidents which may affect our indebtedness arising from our day-to-day operations; (4) foreign investors investing in the PRC and our Company's capabilities to conduct business in the PRC as a foreign-invested company; and (5) taxation and foreign exchange matters which may affect our operating results and business.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

Opinions of the Central Committee of the Communist Party and the State Council on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》)

The Opinions of the Central Committee of the Communist Party and the State Council on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) (the "**Opinions**"), which was promulgated by the State Council on March 17, 2009, advocates a range of measures to reform medical institutions in China and to establish a basic healthcare system covering urban and rural residents. The Opinions encourage private capital to invest in medical institutions (including investments by foreign investors), the development of private medical institutions and the reform of public medical institutions (including those established by state-owned enterprises) through private capital investment.

Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》)

On November 26, 2010, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission (the "**NDRC**"), the Ministry of Health (the "**MOH**") and Other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》) (the "**Notice**"). The Notice set out the following measures with respect to expanding the scope for social capital to set up medical institutions, including: social capital is permitted and encouraged to set up various medical facilities, social capital may apply for establishing and operating either for-profit medical institutions (the "**PMIs**") or not-for-profit medical institutions (the "**NMIs**") according to its purposes; priority shall be given to social capital when adjusting or increasing medical and health resources; to reasonably determine the scope of practice for NMIs; overseas medical institutions, enterprises and other economic organizations are permitted to establish medical institutions together with domestic medical institutions, enterprises or other economic organizations in the form of equity or cooperation joint venture. The restrictions on maximum equity that can be owned by overseas capital in domestic medical institutions will be lifted step by step. Simplify and standardize the approval procedures for medical institutions by overseas capital. The establishment of Sino-foreign equity joint venture and Sino-foreign cooperative joint venture medical institutions can be approved by provincial level health authority and commerce authority. In addition, for encouraging and guiding social capital in setup of medical facilities, the Notice also proposes on tax and price polices for the NMIs, entry policy for service providers under medical insurance plans, employment conditions and purchase of large medical equipment.

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》)

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》), which was promulgated by the National Health and Family Planning Commission (the "**NHFPC**") and the State Administration of Traditional Chinese Medicine (the "**SATCM**") on December 30, 2013, stipulates the policies to support the development of private-invested healthcare institutions, including but not limited to the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《關於支持社會力量提供多層次多樣化醫療服務的意見》)

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《關於支持社會力量提供多層次多樣化醫療服務的意見》), which was promulgated by the General Office of the State Council on May 16, 2017, stipulates the policies to actively support social forces to go deep into the niche service market, such as specialized medical services, expand the effective supply of services, and foster professionalized advantages. A number of competitive branded service agencies will be formed at a rapid pace for such specialties including but not limited to oncology.

Opinions on Deepening the Reform of the Medical Insurance System (《關於深化醫療保障制度改革的意見》)

In order to solve the problem of imbalanced and inadequate development of medical insurance, the Central Committee of the Communist Party and the State Council promulgated the Opinions on Deepening the Reform of the Medical Insurance System (《關於深化醫療保障制度改革的意見》) (the "**Medical Insurance System Opinions**") on February 25, 2020, main opinions as follows: (i) improve the treatment guarantee mechanism; (ii) consummate the financing operation mechanism; (iii) establish the efficient medical insurance payment mechanism; and (iv) sound and strict fund supervision mechanism. Based on the main opinions aforementioned, the Medical Insurance System Opinions mainly target on benefiting the patients to enjoy quality medical services, increasing the rate of patient visits and the utilization of medical insurance funds. As of December 31, 2019, all of our in-network hospitals in operation were Medical Insurance Designated Medical Institutions, thus the impact of Medical Insurance System Opinions on our Group's business is mainly positive.

REGULATIONS ON THE CLASSIFICATION OF MEDICAL INSTITUTIONS

Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》)

The Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), jointly promulgated by the MOH, SATCM, Ministry of Finance (the "**MOF**") and NDRC on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as PMIs and NMIs, and NMIs is further divided into public NMIs and private NMIs. NMIs and PMIs shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate for-profit medical institutions. On the other hand, NMIs must comply with the pricing guidance for medical service stipulated by governments from time to time, and the rules and policies issued by the National Health Commission of the PRC (the "**NHC**") and the MOF including Hospital Finance System and Hospital Accounting System. PMIs may distribute their profit to their investors as economic returns. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services. In establishing internal control system, they may apply the finance and accounting system and other policies suitable for corporate enterprise. Medical institutions shall file with relevant authorities of health written statements of their not-for-profit/for-profit status when they go through the application, registration and re-examination procedures in accordance with the relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such medical institution based on the source of its investment and the nature of its business.

Interim Regulations on the Management of Registration for Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) and Interim Measures for the Registration for Private Non-enterprise Entities (《民辦非企業單位登記暫行辦法》)

Interim Regulations on the Management of Registration for Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) promulgated and implemented by the State Council on October 25, 1998 and Interim Measures for the Registration for Private Non-enterprise Entities (《民辦非企業單位登記暫行辦法》) promulgated on December 28, 1999 and amended on December 27, 2010 by the Ministry of Civil Affairs provide that the establishment of private non-enterprise entities shall be subject to the review and approval of the competent authority for the activities that such entities engage in and be registered in accordance with relevant requirements. Such private non-enterprise entities may not engage in profit-making operational activities, and the income legally obtained from activities provided in the Articles of Association in compliance with the relevant requirements stipulated by the national government shall only be used in activities provided therein. Private non-enterprise entities shall specify in its draft Articles of Association or partnership agreement that the profit of the entities shall not be distributed, and the property shall not be privately divided upon disintegration. Particularly, the organizers of private non-enterprise entities have the right to supervise and the right to know according to the Articles of Association of such private non-enterprise entities, such as the right to appoint a council or a supervisor, to know about the operating and financial status, to access the minutes of councils meeting and the financial report of the entities. Such organizers' rights are roughly the same as shareholders' rights.

Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》)

Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》) stipulates that NMIs established by social capitals with the intention to transform to PMIs shall obtain the approval of the original evaluating and approving department and complete relevant procedures as prescribed by law. PMIs established by social capital with the intention to transform to NMIs may file their application and complete the relevant modification procedures as prescribed by law.

REGULATIONS ON THE MANAGEMENT OF MEDICAL INSTITUTIONS

The Administrative Measures on Medical Institutions and its Implementation Measures (《醫療機構管理條例》及其實施細則)

The Administrative Measures on Medical Institutions (《醫療機構管理條例》), which was promulgated on February 26, 1994 by the State Council, came into effect on September 1, 1994 and amended on February 6, 2016, and it's Implementation Measures, which was promulgated by the MOH on August 29, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, stipulate that the establishment of a medical institution by any entity or individual must be reviewed and approved by health administrative departments of people's governments at or above the county level and obtain the Medical Institution Practising Certificate (醫療機構執業許可證). The Medical Institution Practising Certificate shall not be forged, altered, sold, transferred or lent. Where a medical institution violates the provisions hereof, and sells, transfers or lends the Medical Institution Practising Certificate, the health administrative department of the people's government at the county level or above shall confiscate its illegal gains and may impose a fine of less than RMB5,000; where the circumstance is serious, the Medical Institution Practising Certificate shall be revoked.

The Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》)

The Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》), which was promulgated by the MOH and came into effect on June 15, 2009, stipulates that the Medical Institution Practising Certificate is subject to periodic examinations and verifications by registration authorities. Verification period shall be 3 years for general hospitals, hospitals of traditional Chinese medicine, hospitals of western medicine and traditional Chinese medicine, hospitals of ethnic minority medicine and specialized hospitals, as well as sanitariums, rehabilitation hospitals, maternity and children's health care centers, emergency centers, clinical laboratories and specialized disease prevention institutions equipped with more than 100 beds, while the verification period shall be 1 year for other medical institutions. In the event that a medical institution fails to apply for verification as required and post re-verification procedures or unsuccessful in its re-verification application, the registration authorities may cancel its Medical Institution Practising Certificate.

Administrative Measures on the Radiotherapy (《放射診療管理規定》)

According to Administrative Measures on the Radiotherapy (《放射診療管理規定》), which was promulgated by the MOH on January 24, 2006 and amended on January 19, 2016 by NHFPC, medical institutions engaged in the radio diagnosis and radiotherapy shall have conditions corresponding to the radiological diagnosis and treatment services. Prior to carrying out radiodiagnosis and radiotherapy, medical institutions shall submit relevant materials, including but not limited to the Medical Institution Practising Certificate or the Approval Certificate for Establishment of a Medical Institution, the list of radiodiagnosis and radiotherapy equipment and apply for the License for Radiotherapy (《放射診療許可證》) issued by the competent public health administrative authorities. Medical institutions shall be respectively equipped with the corresponding equipment in carrying out different kinds of radiodiagnosis and radiotherapy. After obtaining the License for Radiotherapy, medical institutions shall undertake registration of the relevant diagnosis and treatment items with health administrative and registration authorities, which issued the Medical Institution Practising Certificate. The License for Radiotherapy and the Medical Institution Practising Certificate shall be verified at the same time.

Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》) and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》)

According to Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》), which was promulgated by the State Council on September 14, 2005 and amended on July 29, 2014 and March 2, 2019, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which was promulgated by the State Environment Protection Administration on January 18, 2006, amended on December 6, 2008, December 20, 2017 and August 22, 2019 by the Ministry of Environmental Protection and Ministry of Ecology and Environment respectively, any entity conducts activities of production, sale, and use of radioactive isotopes and radial equipment within the territory of PRC shall obtain the Radiation Safety Licenses (《輻射安全許可證》).

The Law of the People's Republic of China on Maternal and Infant Healthcare and its Implementation Measures, the Management Measures of Special Technology Services Licensing and Personnel Qualification of Maternal and Infant Care (《中華人民共和國母嬰保健法》及其實施辦法、《母嬰保健專項技術服務許可及人員資格管理辦法》)

According to the Law of PRC on Maternal and Infant Healthcare (《中華人民共和國母嬰保健法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") and on October 27, 1994 and revised on August 27, 2009, November 4, 2017 and its Implementation Measures (《中華人民共和國母嬰保健法實施辦法》), which was promulgated by the State Council on June 20, 2001, and amended on November 17, 2017 and the Management Measures of Special Technology Services Licensing and Personnel Qualification of Maternal and Infant Care (《母嬰保健專項技術服務許可及人員資格管理辦法》), which was promulgated by the MOH on August 7, 1995, and amended by NHC on February 28, 2019, medical institutions carry out pre-marital medical examination, genetic disease diagnosis and pre-natal diagnosis, ligation operations and operations for termination of gestation must be approved by health administrative authorities at various levels in accordance with regulations and obtain relevant qualification certificates.

Interim Provisions of Management of Physical Examination (《健康體檢管理暫行規定》)

According to the Interim Provisions of Management of Physical Examination (《健康體檢管理暫行規定》), which was promulgated by the MOH on August 5, 2009 and came into effect on September 1, 2009, the registration authority shall examine and assess the medical institutions, if the medical institution is eligible for conducting physical examination, permission shall be issued and registration shall be added to remarks column of the counterpart of the Medical Institution Practising Certificate.

Regulations on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》)

According to the Regulations on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), which was promulgated by the State Council on August 3, 2005, amended on December 7, 2013 and February 6, 2016, any medical institution needs to use narcotic drugs and the psychotropic drugs of category I shall be subject to the approval of the relevant authority, and obtain the seal card for purchasing narcotic drugs and the psychotropic drugs of category I (《麻醉藥品、第一類精神藥品購用印鑒卡》).

Administrative Regulations on Sanitation of Public Places and its implementing rules (《公共場所衛生管理條例》及其實施細則)

According to the Administrative Regulations on Sanitation of Public Places and its implementing rules (《公共場所衛生管理條例》及其實施細則), the hospitals equipped with waiting rooms shall apply to the sanitary administrative authorities for a sanitary license (《衛生許可證》) in a timely manner. The sanitary license shall be reviewed biyearly.

Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》)

According to the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated by the China Food and Drug Administration (the "**CFDA**") on August 31, 2015 and amended on November 17, 2017, a Food Operation License (《食品經營許可證》) shall be obtained in accordance with the law to engage in food selling and catering services within the PRC.

REGULATIONS ON PHARMACEUTICALS IN MEDICAL INSTITUTIONS AND MEDICAL DEVICES

Drug Administration Law of PRC and its Implementing Rules and Measures for Supervision and Administration of Drugs of Medical Institutions (For Trial Implementation) 《中華人民共和國藥品管理法》及其實施條例、《醫療機構藥品監督管理辦法(試行)》

According to the Drug Administration Law of PRC (《中華人民共和國藥品管理法》), which was promulgated by the SCNPC on September 20, 1984 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, and took effective on December 1, 2019, the Regulations for the Implementation of the Drug Administration Law (《中華人民共和國藥品管理法實施條例》), which was promulgated by State Council on August 4, 2002 and amended on February 6, 2016, March 2, 2019 and the Measures for Supervision and Administration of Drugs of Medical Institutions (For Trial Implementation) (《醫療機構藥品監督管理辦法(試行)》), which was promulgated by CFDA and came into effect on October 11, 2011, medical institutions must purchase drugs from enterprises qualified to produce and deal in drugs. Drugs used by medical institutions must be purchased uniformly by special departments in accordance with the provisions, and other departments and medical staff members of medical institutions are forbidden to purchase drugs on their own.

Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. According to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000, amended on March 7, 2014 and May 4, 2017, for Class I medical devices, the record-filing management shall be implemented, while for Class II and Class III devices, the registration management shall be implemented.

To engage in production of Class I medical devices, manufacturers shall file the production with the NMPA of a city divided into districts where they are located. To engage in production of Class II or III medical devices, manufacturers shall apply for the Medical Device Production License (《醫療器械生產許可證》) to the food and drug administration of the people's government of the province, autonomous region or centrally administered municipality where they are located. The production permit is valid for five years and the holder of which shall apply for extension within six months prior to its expiration. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the relevant authority. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Operation License (《醫療器械經營許可證》).

Meanwhile, medical institutions that use large-scale medical equipment are required to obtain the License for Deployment of Large-scale Medical Equipment issued by the health administrative authorities at province level or above (《大型醫用設備配置許可證》). Any entity allocating and using large-scale medical equipment without permission shall be ordered by the health and family planning department at the county level or above to cease the use, given a warning, and its illegal gains be confiscated; and if the illegal gains are less than RMB10,000, a fine of not less than RMB10,000 but not more than RMB50,000 shall be imposed; and if the illegal gains are more than RMB10,000, a fine of not less than five times but not more than 10 times the illegal gains shall be imposed; where the circumstances are serious, the application for license for allocation of large-sized medical equipment filed by the relevant persons responsible and enterprises shall not be accepted within five years.

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation) (《大型醫用設備配置與使用管理辦法(試行)》)

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation) (《大型醫用設備配置與使用管理辦法(試行)》) jointly promulgated by the NHC and State Drug Administration on May 22, 2018 and came into effect on the same day, stipulates that the large-scale medical equipment refers to the large-scale medical devices that adopt complex technology, require large capital investment, have high operation costs, have significant impact on medical expenses, and have been included in the large-scale medical equipment catalogue management. The catalogue of large-scale medical equipment shall be proposed by the NHC in consultation with the relevant department under the State Council, reported to the State Council for approval, and issued for implementation. The State administrates large-scale medical equipment through the classified and hierarchical allocation plan and through the issue of License for Deployment of Large-scale Medical Equipment (《大型醫用設備配置許可證》) according to the catalogue. The large-scale medical equipment allocation management catalogue is divided into Category A and Category

B. The large-scale medical equipment of Category A shall be allocated and managed by the NHC and issued with License for Deployment of Large-scale Medical Equipment by it; the large-scale medical equipment of Category B shall be allocated and managed by provincial health administrative departments and issued with License for Deployment of Large-scale Medical Equipment by them. The NHC and provincial health administrative departments shall respectively formulate the implementing rules for the allocation licensing management of Category A and Category B large-scale medical equipment.

The Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2018) (《關於發佈大型醫用設備配置許可管理目錄(2018年)的通知》)

The Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2018) (《關於發佈大型醫用設備配置許可管理目錄(2018年)的通知》) promulgated by the NHC on March 29, 2018, stipulates the Category A and Category B of large-scale medical equipment.

REGULATIONS ON THE PRICE OF HEALTHCARE SERVICES AND MEDICINE

Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》)

According to the Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) promulgated and implemented on March 25, 2014 by NDRC, the NHFPC and the Ministry of Human Resources and Social Security (the "**MHRSS**"), the price of healthcare services provided by non-public medical institutions to be set with reference to the market level. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-profit in nature shall set the price list for their healthcare services according to the National Standard Price List of Healthcare Services (《全國醫療服務價格項目規範》). For non-public medical institutions qualified to become designated medical institutions covered by medical insurance, they should be included as a designated service providers covered by social insurance such as basic medical insurance for employees and urban residents, new-type rural cooperative medical insurance, work-related injury insurance and maternity insurance in accordance with relevant procedures and adopt the same payment policy as in public hospitals. To efficiently utilise funds, medical insurance agents should determine specific payment methods and standards with such non-public medical institution by ways of negotiation under the requirements of medical insurance payment system reform.

Regulations on Medical Insurance and Medical Liability Insurance for Urban Employees

According to the Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》), which was promulgated by the MOH, the Ministry of Labor and Social Security and the SATCM on May 11, 1999, and the Decision of the State Council on Canceling the First Batch of 62 Items Subject to Administrative Examination and Approval of Local Governments Designated by the Central Government (《國務院關於第一批取消62項中央指定地方實施行政審批事項的決定》), which was promulgated by the State Council on October 11,2015 and the Guiding Opinions of the MHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協議管理的指導意見》) promulgated by MHRSS on December 2, 2015, and became effective on the same day, the license for qualifying a medical institution as a designated medical institution to provide medical service to urban employees with basic medical insurance was cancelled. Agencies and the medical institutions should strictly comply with the stipulations in the service agreement and perform the agreement seriously. The defaulting party shall be held liable to the violations of the agreement.

REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

The Law on Practising Physicians of the People's Republic of China (《中華人民共和國執業醫師法》)

Pursuant to the Law on Practising Physicians of the People's Republic of China (《中華人民共和國執業醫師法》) promulgated by the SCNPC on June 26, 1998, became effective on May 1, 1999 and amended on August 27, 2009, medical physicians in the PRC must obtain licenses of medical professional qualifications. Qualified physicians and assistant physicians must register with the relevant health administrative authorities at county level or above. After registration, physicians may practise in medical institutions of their registered location under the type of registered specialty to provide the relevant medical, preventive or healthcare services.

Administrative Measures for the Registration of Practising Physicians (《醫師執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practising Physicians (《醫師執業註冊管理辦法》) promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practising Certificate (醫師執業證書) before they commence practice and, those who are not registered or have not obtained the Physician Practising Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of practising physicians include place of practice, type of registered specialty and scope of practice. The place of practice refers to the county and provincial administrative region of the medical, preventive and healthcare institutions where the physician is practising. For practising physician who wants to practice in multiple institutions within the same place of practice, he/she shall determine a specific institution as the main practicing institution, apply for registration with the competent health authority which approved the aforesaid institution's operation; as to other institutions where the practitioner is to practice, the practising physician shall apply the record filing with the health authorities competent to approve the institutions' operation and indicate the name of the institutions.

Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from Ministry of Health (《關於印發<推進和規範醫師多點執業的若干意見>的通知》)

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from the MOH (《關於印發<推進和規範醫師多點執業的若干意見>的通知》)jointly promulgated by 5 departments, on November 5, 2014, and became effective on the same date, stipulates clinical physicians, dentists and Chinese medicine physicians are permitted for practising at multiple sites. Physicians practising in multiple sites shall have intermediary or above technical skills and has been in the same profession for more than five years. Practising physicians practising outside of their first practice site shall practice the same registered specialty as their first practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the first practice site.

Regulations on Nurses (《護士條例》)

The Regulations on Nurses (《護士條例》) which was promulgated by the State Council on January 31, 2008, came into effect on May 12, 2008 and amended on March 27, 2020, provides that for nursing practice, a nurse must obtain the Nurse Practising Certificate, which is valid for five years. The number of nurses deployed to a medical institution shall not be less than the standard number as prescribed by the competent health administration authority.

Administrative Measures for the Registration of Practising Nurses (《護士執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practising Nurses (《護士執業註冊管理辦法》) promulgated by the MOH on May 6, 2008 and became effective on May 12, 2008, nurses must register and obtain the Nurse Practising Certificate before they practice nursing at the registered practising place.

REGULATIONS ON MEDICAL INCIDENTS

Tort Liability Law of PRC (《中華人民共和國侵權責任法》)

The Tort Liability Law of PRC (《中華人民共和國侵權責任法》), which was promulgated by the SCNPC on December 26, 2009 and came into effect on July 1, 2010, provides that, if a medical institution, its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. Medical institution shall liable and pay for the damage caused by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National People's Congress, which will become effective on January 1, 2021 and simultaneously replace the current effective Tort Liability Law of the PRC. The Civil Code of the PRC provides that if a medical institution or its medical personnel is at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation, which further clarifies that either the medical institution or its medical personnel is at fault, the medical institution should bear the relevant responsibilities.

The Regulations on Handling Medical Incidents (《醫療事故處理條例》)

The Regulations on Handling Medical Incidents (《醫療事故處理條例》), which was promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provides a legal framework and specific regulations regarding the prevention, identification, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

REGULATIONS ON PREVENTION AND TREATMENT OF INFECTIOUS DISEASES

The Law of PRC on the Prevention and Treatment of Infectious Diseases (《中華人民共和國傳染病防治法》), which was promulgated by the SCNPC on February 21, 1989, came into effect on September 1, 1989 and revised on June 29, 2013, provides that the infectious diseases are divided into Classes A, B and C pursuant to the outbreak, prevalence and extent of harm of the infectious diseases. Among which, infectious diseases under Class A are plague and cholera; infectious diseases under Class B include infectious SARS, AIDS and other 24 infectious diseases. When finding an infectious disease under Class A, medical institutions shall immediately take the following measures include: (1) isolating the patients and pathogen carriers for treatment, and to determine the period of isolation according to the results of medical examination; (2) treating suspected patients individually in isolation at designated places until a definite diagnosis is made; and (3) keeping the persons in close contact with the patients, pathogen carriers or suspected patients in medical institutions under medical observation at designated places, and taking other necessary preventive measures.

According to the Announcement promulgated by the NHC on January 20, 2020, provides that the pneumonia caused by the 2019-nCoV shall be included in the Class B infectious diseases, and the prevention and control measures of Class A infectious diseases shall be taken.

REGULATIONS ON MEDICAL ADVERTISEMENT

Advertising Law of the PRC (《中華人民共和國廣告法》)

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》) (the "**Advertising Law**") promulgated by the SCNPC on October 27, 1994, amended on April 24, 2015 and October 26, 2018, advertisements shall not contain false statements that are deceitful or misleading to consumers. Advertisements are legally required to receive censorship, including those relating to medical treatment, pharmaceuticals and medical devices, shall be reviewed by the relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. No such advertisement shall be published without being reviewed. If the advisers published such advertisements without being reviewed in violation of the provisions, the market regulation departments shall order the cessation of the publishing of advertisements, order the advertisers concerned to eliminate the ill-effects within the corresponding scope, and impose a fine equivalent to the amount to three times the amount of the advertising fees; where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB100,000 and not more than RMB200,000 shall be imposed; where the circumstance is serious, a fine of not less than three times and not more than five times the advertising fees shall be imposed; in case that the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB200,000 and not more than RMB1 million shall be imposed; and the business licenses may be revoked, and the advertisement review authorities shall revoke the approval documents for advertisement review and shall not accept the relevant party's application for advertisement review for one year.

Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》)

Pursuant to the Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》), which was jointly promulgated by the MOH and the State Administration of Industry and Commerce (the "**SAIC**") on September 27, 1993 and amended on September 28, 2005 and November 10, 2006 and came into effect on January 1, 2007,any medical institution that intends to publish any medical advertisement shall apply for medical advertisement examination and obtain Medical Advertisement Examination Certificate (醫療廣告審查證明). The Medical Advertisement Examination Certificate shall be valid for one year.

Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration (《衛生部關於進一步加強醫療廣告管理的通知》)

According to the Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration (《衛生部關於進一步加強醫療廣告管理的通知》), which was promulgated by the MOH on July 17, 2008 and became effective on the same date, the Medical Advertisement Examination Certificate (醫療廣告審查證明) shall be examined strictly, the medical advertisement monitoring system shall be gradually established and improved and the penalty for illegal medical advertisement shall be increased.

Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》)

Pursuant to the Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) promulgated by the SAIC on July 4, 2016 and became effective on September 1, 2016, no advertisement of any medical treatment, medicines, foods for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to examination by an advertising examination authority as stipulated by laws and regulations shall be published unless it has passed such examination.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC and its Implementing Rules (《中華人民共和國商標法》及其實施條例)

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27 2001, August 30, 2013, April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent Law of the PRC and its Implementing Rules (《中華人民共和國專利法》及其實施細則)

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and further amended on September 4, 1992, August 25, 2000, December 27, 2008 and came into effect on October 1, 2009 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and further amended of December 21, 1992, June 15, 2001, December 28, 2002, January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right for inventions shall be 20 years and the duration of a patent right for utility models and designs shall be 10 years, both commencing from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee.

Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》)

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 and became effective on November 1, 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any violation.

Copyright Law of the PRC (《中華人民共和國著作權法》) and Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》)

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001 and February 26, 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

Environmental Protection Law of PRC (《中華人民共和國環境保護法》) and Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》)

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 and became effective on the same day, amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, became effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction entity shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction entity is prohibited from commencing construction works.

Regulations on the Management of Medical Waste (《醫療廢物管理條例》), and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》)

According to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which was promulgated by the State Council on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which was promulgated by the MOH on October 15, 2003 and came into effect on the same day, medical or health institution shall register medical wastes, manage medical wastes under classification and undertake management of duplicate forms for transfer of hazardous waste in accordance with the Catalogue of Classified Medical Wastes (《醫療廢物分類目錄》), and deliver medical wastes to an entity for centralized disposal of medical wastes and licensed by a relevant environment protection administrative department for dispose. Sewage generated by any health institution and excretion of its patients or suspected patients of infectious diseases shall be sterilized in strict accordance with the relevant provisions, and shall not be discharged into sewage disposal systems until the discharging standards are met.

The Law of the People's Republic of China on Prevention and Control of Radioactive Pollution (《放射性污染防治法》) and Safety Management of Radioactive Waste (《放射性廢物安全管理條例》)

The Law of the People's Republic of China on Prevention and Control of Radioactive Pollution (《放射性污染防治法》) stipulates that, an entity generating radioactive waste liquid must, in accordance with the requirements of the national standards on the prevention and control of radioactive pollution, dispose or store the radioactive waste liquid which shall not be discharged to the environment. An entity generating radioactive solid wastes shall, in accordance with the provisions of the competent administrative department of environmental protection under the State Council, deliver the radioactive solid wastes it generates to the entity disposing the radioactive solid wastes for disposition after having them treated, and shall assume the disposition expense.

In accordance with the Regulations on the Safety Management of Radioactive Waste (《放射性廢物安全管理條例》) which came into effect on March 1, 2012, China adopts the classified management of radioactive waste. According to the characteristics and the potential hazardous exposure of the human health and environment, radioactive wastes are divided into high-level radioactive waste, medium-level radioactive waste and low-level radioactive waste. Entities of utilization of nuclear technology shall conduct relevant treatment procedures of the liquid radioactive waste (which was generated but couldn't be discharged after purifications), and then transformed to solid radioactive waste. Entities of utilization of nuclear technology shall deliver disused radioactive sources and other solid radioactive wastes generated by them to any qualified entity for centralized storage, or to a solid radioactive waste disposing entity possessing the applicable licenses for disposal.

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》)

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015 and came into effect on March 1, 2015, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (《排水許可證》).

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Company Law of the People's Republic of China (《中華人民共和國公司法》)

The Company Law of the People's Republic of China (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993 and came into effective on July 1, 1994, amended on December 25, 1999 and came into effective on the same day, amended on August 28, 2004 and came into effective on the same day, amended on October 27, 2005 and came into effective on January 1, 2006, amended on December 28, 2013 and came into effective on March 1, 2014, amended on October 26, 2018 and came into effective on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》)

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**"), which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

The Industry Catalogue for Guiding Foreign Investment (《外商投資產業指導目錄)》and Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》)

According to the current Industry Catalogue for Guiding Foreign Investment(《外商投資產業指導目錄》), which was jointly promulgated by the NDRC and the Ministry of Commerce (the "**MOFCOM**") on June 28, 2017 and came into effect on July 28, 2017 and amended by the NDRC and MOFCOM on June 29, 2018 and June 30, 2019, and the Provisions on Guiding Foreign Investment Direction(《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment in certain cases may enjoy preferential policies or benefits. If the industry invested falls into the restricted category, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. According to the current Foreign Investment Catalogue, foreign investment in medical institutions shall be restricted to the form of joint venture or sino-foreign cooperation.

Special Management Measures for Access of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)》<2019年版>)

The Special Management Measures for Access of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)》<2019年版>), which was promulgated by the NDRC and MOFCOM on June 30, 2019 and came into effect on July 30, 2019, limited the joint venture and co-operation of medical institutions.

Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》)

Pursuant to the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016 and came into effect on the same day, amended on July 30, 2017 and came into effect on the same day, amended on June 29, 2018 and came into effect on June 30, 2018, record-filing will be administered on the incorporation and changes in foreign-invested enterprises if implementation of special management measures for access according to State regulations are not applicable. The relevant foreign-invested enterprise shall make arrangement to complete the Application Form for Reporting and Filing Changes in Foreign-Invested Enterprises (《外商投資企業變更備案申請表》) and submit it together with the relevant documents online through the integrated administration system within 30 days after occurrence of such changes to complete the procedure for filing changes. For the purpose of incorporation of a foreign-invested enterprise, the investor of the foreign-invested enterprise shall also file the incorporation and filing information of foreign-invested enterprise online when carrying out the registration of incorporation.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effective on January 1, 2020 and replaced the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors carrying out investment activities in the PRC directly or indirectly shall submit investment information to the commerce administrative authorities pursuant to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》).

Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) and its Supplementary Provisions

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which was jointly promulgated by the MOH and the Ministry of Foreign Trade and Economic Cooperation on May 15, 2000 and came into effect on July 1, 2000, and its Supplementary Provisions allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》)

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was jointly promulgated by the MOFCOM and five other departments and commissions on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOFCOM on June 22, 2009 (the "**M&A Regulations**"), requires that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Labor Law of PRC (《中華人民共和國勞動法》)

The Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labor safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of PRC and its Implementation Regulations (《中華人民共和國勞動合同法》及其實施條例)

The Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on September 18, 2008 by the State Council, regulate the relations of employer and the employee, and contain specific provisions involving the terms of the labor contract.

REGULATIONS ON SUPERVISION OVER THE SOCIAL SECURITY AND HOUSING FUNDS

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018 regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999 and came into effective on the same date, and was amended on March 24, 2002 and March 24, 2019, stipulates that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

Value-added Tax

The Provisional Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫

行條例實施細則》), which was promulgated by the MOF on December 25, 1993 and came into effective on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

On November 16, 2011, the MOF and the State Administration of Taxation (the "**SAT**") promulgated the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), pursuant to the government launched gradual taxation reforms from January 1, 2012, where a value-added tax is imposed in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

The Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the MOF and the SAT on March 23, 2016 and came into effective on May 1, 2016, amended on July 1, 2017, December 25, 2017 and March 20, 2019 and became effective on April 1, 2019, all business tax payers in the consumer service industry shall pay value-added tax instead of business tax from May 1, 2016. If the taxpayer of the pilot project has already enjoyed tax incentives of business tax according to relevant policies and regulations before the application of the pilot collection of value-added tax in lieu of business tax, he/she may, in the remaining period of tax incentives, enjoy tax incentives of value-added tax in accordance with the relevant provisions.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies in Respect of Medical and Hygiene Institutions (《財政部、國家稅務總局關於醫療衛生機構有關稅收政策的通知》), which was promulgated by the MOF and the SAT on July 10, 2000 and became effective on the same date and further revised by the MOF on May 18, 2009 and became effective on January 1, 2009, medical services income obtained by NMIs at the price set by the state shall be exempted from any taxes. In respect of those medical services income which is not obtained at the price set by the state, this exemption policy shall not apply. Taxes on the income obtained by the PMIs shall be imposed according to the relevant provisions.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Main land and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Tax Treaty**") entered into between Mainland China and the HKSAR on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

The Notice on the Several Issues of the Implementation of Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT on February 20, 2009 and came into effect on the same date, stipulates that the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

According to the Administrative Measures on Non-resident Taxpayers to Enjoy the Treatment under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) promulgated by the SAT on October 14, 2019 and came into effect on January 1, 2020, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

REGULATIONS ON FOREIGN EXCHANGE CONTROL

The Regulations on the Control of Foreign Exchange (《外匯管理條例》), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the State Administration of Foreign Exchange (the "**SAFE**") shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the People's Bank of China (the "**PBOC**") on June 20, 1996 and came into effect on July 1, 1996, provides that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

The Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**", which has replaced Circular 75), which was promulgated by the SAFE on July 4, 2014 and came into effective on the same date, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

The Notice of the SAFE on Further Improving and Adjusting Policies Relating to Foreign Exchange Administration in Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was promulgated by the SAFE on November 19, 2012, came into effect on December 17, 2012 and amended on May 4, 2015 and came into effect on the same day, amended on October 10, 2018 and came into effect on the same day, amended on December 30, 2019 and came into effect on the same day, expands on the reform of the foreign exchange administration system, simplifies the administrative approval procedures, and improves foreign exchange administration in direct investment by repealing or adjusting certain approval items for foreign exchange administration in direct investment.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") promulgated by SAFE on March 30, 2015, amended on December 30, 2019 and came into effect on the same day, voluntary settlement of foreign exchange (the "**voluntary settlement**") is implemented for foreign exchange capital funds of foreign-invested enterprises. Voluntary settlement means that the foreign exchange capital funds which have been confirmed by SAFE as cash contribution for equity interest (or have been registered as capital contribution in cash via a bank) in the capital account of the foreign-invested enterprise may carry out settlement at the bank as and when required according to actual operation needs of the enterprise. The ratio of voluntary settlement of foreign exchange capital funds of a foreign-invested enterprise is set at 100% for the time being. The Renminbi funds arising from the settlement of foreign exchange shall be placed in a special account for administration. If the foreign-invested enterprise has further payment needs, it is still required to truthfully produce relevant authentic certification materials to the bank for review according to regulations. The Renminbi funds obtained from the capital funds and foreign exchange settlement of the foreign-invested enterprise are prohibited from the following uses: (i) shall not be used directly or indirectly for expenses incurred outside the scope of operation or prohibited by laws and regulations of the PRC; (ii) unless otherwise required by laws and regulations, shall not be used directly or indirectly in securities investment; (iii) shall not be used directly or indirectly for lending as entrusted loans denominated in Renminbi (except permitted by the scope of operation), for repayment of inter-company borrowings (including third-party advances) and for repayment of Renminbi-denominated bank loans which have been re-lent to third parties; and (iv) except for foreign-invested real estate enterprises, such Renminbi funds shall not be used to pay for the relevant expenses for the purchase of real estate properties which are not for its own use.

OVERVIEW

Our Company was incorporated in the Cayman Islands on September 12, 2018 as an exempted company with limited liability, following which we implemented a series of corporate restructurings and our Company became the holding company of our current business. We are now the largest oncology healthcare group in China and we primarily engage in the hospital business, third-party radiotherapy business and hospital management business.

For details of our business development and corporate restructurings, see "– Our Milestones" and "– Reorganization" below.

OUR MILESTONES

The following table sets forth the business milestones of our Group:

Year	Milestones
2009	• We acquired Gamma Star Tech, our first principal operating subsidiary, and obtained the SRT equipment manufacturing capability.
2010	• We started to provide Radiotherapy Center Services and Xuanwei Radiotherapy Center became our first in-network radiotherapy center.
2011	• We acquired the entire organizer's interest (舉辦人權益) in Handan Renhe Hospital, our first managed private not-for-profit hospital.
2013	• We commenced the construction of Shanxian Hygeia Hospital, the first private for-profit hospital we built on our own.
2015	• Fountain Grass invested in our Group.
	• We acquired Longyan Boai Hospital and Suzhou Canglang Hospital.
2016	• We commenced the operation of Shanxian Hygeia Hospital.
	• We commenced the constructions of Chongqing Hygeia Hospital and Heze Hygeia Hospital, our self-built private for-profit hospitals.
	• We acquired Anqiu Hygeia Hospital.
	• Harmony Healthcare and Xinrunheng invested in our Group.
2017	• We acquired Chengwu Hygeia Hospital.
	• Huagai Xincheng, Utru Star and Long Hill invested in our Group.
2018	• Our Company was incorporated in the Cayman Islands.
	• We commenced the operations of Heze Hygeia Hospital and Chongqing Hygeia Hospital.
2019	• WuXi AppTec invested in our Group and Long Hill made further investments.

OUR CORPORATE DEVELOPMENT

Our history can be traced back to 2009 when our founder, Mr. Zhu, acquired Gamma Star Tech, the manufacturer and intellectual property owner of an SRT equipment. Mr. Zhu started his career as a physician and had been focusing on the radiotherapy treatment for over two decades when he was a full time physician at The Affiliated Hospital of Xuzhou Medical University (徐州醫科大學附屬醫院) and The 455th Hospital of Chinese People's Liberation Army (中國人民解放軍第四五五醫院). He has gained in-depth understanding in the oncology medical service industry through clinical practice and is determined to provide affordable and quality radiotherapy treatment services to cancer patients in the underserved markets in China.

In 2009, Mr. Zhu came across the opportunity to realize his vision. Believing in the prospects of the radiotherapy treatment service market in China, Mr. Zhu decided to launch our business by obtaining the ability to self-produce the radiotherapy equipment. On November 24, 2009, Mr. Zhu acquired the 95% equity interest in Gamma Star Tech from three Independent Third Parties at a nominal consideration of RMB3, which was determined after arm's length negotiation among the parties with reference to the total debt of approximately RMB144.76 million which Mr. Zhu agreed to take up and the negative net asset value of Gamma Star Tech at that time. As confirmed by our PRC Legal Advisors, the consideration of such equity transfer was not subject to any restrictions under the PRC laws and regulations, and can be determined based on negotiation between the transferors and the transferee under the Contract Law of the PRC.

Since 2010, we started to cooperate with our hospital partners to provide Radiotherapy Center Services, including: (i) provision of radiotherapy center consulting services; (ii) licensing of our proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment. Such cooperation enhanced our services capabilities and equipped us with in-depth understanding in the local markets, which enables us to further expand our healthcare service network.

We built our hospital network through establishing new hospitals on our own and acquiring existing hospitals.

Establishment of New Hospitals

Starting from 2012, we have successfully established, constructed and operated three new hospitals, and in 2019, we established two new hospitals which have not commenced construction:

Shanxian Hygeia Hospital

Shanxian Hygeia Hospital was established on November 20, 2012 with a registered capital of RMB20 million. In August 2013, we commenced the construction of Shanxian Hygeia Hospital, which commenced operations on May 19, 2016. Shanxian Hygeia Hospital reached its breakeven point, namely, beginning to record monthly net profit, within nine months after it commenced operations. After several capital changes and equity transfers, on March 16, 2017, the registered capital of Shanxian Hygeia Hospital was increased to RMB191 million which was owned by Gamma Star Tech and Gamma Star as to 62.83% and 37.17%, respectively.

On December 19, 2017, all the then shareholders of Shanxian Hygeia Hospital resolved that, as an incentive to its employees, HDZ Healthcare made a capital contribution of approximately RMB23.05 million to Shanxian Hygeia Hospital. On August 9, 2018, all the then shareholders of Shanxian Hygeia Hospital further resolved that, as an incentive to its employees, Jixiang Kangda and Haiyue Kangjian made a capital contribution of approximately RMB10.33 million and RMB9.81 million, respectively, to Shanxian Hygeia Hospital. As of the Latest Practicable Date, HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian was held by 22, 46 and 48 individuals, respectively, all of whom are employees of Shanxian Hygeia Hospital. After the abovementioned capital contributions, Shanxian Hygeia Hospital was owned by Gamma Star Tech, Gamma Star, HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian as to 51.24%, 30.32%, 9.84%, 4.41% and 4.19%, respectively.

Chongqing Hygeia Hospital

We established Chongqing Hygeia Hospital on November 9, 2015 with a registered capital of RMB50 million. In November 2016, we commenced the construction of Chongqing Hygeia Hospital, which commenced operations on April 13, 2018.

Heze Hygeia Hospital

Heze Hygeia Hospital was established on January 23, 2013 with a registered capital of RMB10 million. The registered capital of Heze Hygeia Hospital was increased to RMB110 million after a capital contribution of RMB100 million made by Gamma Star Tech on September 15, 2015. In December 2016, we commenced the construction of Heze Hygeia Hospital, which commenced operations on December 3, 2018.

Liaocheng Hygeia Hospital

We established Liaocheng Hygeia Hospital on June 20, 2019 with a registered capital of RMB50 million. As of the Latest Practicable Date, we have not commenced the construction of Liaocheng Hygeia Hospital.

Dezhou Hygeia Hospital

We established Dezhou Hygeia Hospital on December 18, 2019 with a registered capital of RMB50 million. As of the Latest Practicable Date, we have not commenced the construction of Dezhou Hygeia Hospital.

After the Reorganization, certain equity interests in our self-established hospitals were held by Hygeia Hospital Management through capital contributions, equity transfer or since its establishment in order to address the PRC foreign ownership restrictions under the Foreign Investment Catalogue with respect to medical institutions in China, and we entered into the Contractual Arrangements with, among others, Hygeia Hospital Management, to obtain the maximum economic benefits of these hospitals. For details of such changes, please refer to "– Reorganization – Onshore Reorganization" below.

Acquisition of Existing Hospitals

We also expanded our hospital business through strategic acquisitions. As of the Latest Practicable Date, we acquired four private for-profit hospitals:

Longyan Boai Hospital

On September 8, 2015, Gamma Star Tech acquired 70% equity interest in Longyan Boai Hospital from Yang Ping (楊萍) (an Independent Third Party) at a consideration of approximately RMB35.02 million. On November 23, 2015, Gamma Star Tech acquired the remaining 10% and 20% equity interest in Longyan Boai Hospital from Yang Ping and Guo Yang (郭楊) (an Independent Third Party) at a consideration of approximately RMB11.83 million and RMB23.67 million, respectively. The abovementioned considerations were determined after arm's length negotiation with reference to the property value, geographic location and revenue of Longyan Boai Hospital. Upon completion of such equity transfers, Longyan Boai Hospital became our wholly-owned subsidiary.

Suzhou Canglang Hospital

Suzhou Canglang Hospital was wholly-owned by Suchen Medical Investment. On November 27, 2015, Gamma Star Tech acquired 61.82% and 18.18% equity interest in Suchen Medical Investment from Suzhou Youtong Investment Development Co., Ltd. (蘇州友通投資發展有限公司) and Jin Jianxin (金建新) (both of which are Independent Third Parties) at a consideration of approximately RMB69.87 million and RMB20.55 million, respectively. On December 7, 2015, Gamma Star Tech acquired the remaining 20% equity interest in Suchen Medical Investment from Suzhou Youtong Investment Development Co., Ltd. at a consideration of approximately RMB25 million. The abovementioned considerations were determined after arm's length negotiation with reference to the property value, geographic location and revenue of Suzhou Canglang Hospital. Upon completion of such equity transfers, Suchen Medical Investment and Suzhou Canglang Hospital became our wholly-owned subsidiaries.

Anqiu Hygeia Hospital

On December 26, 2016, Gamma Star Tech acquired 30% and 70% equity interest in Anqiu Hygeia Hospital from Lu Quanfang (盧泉方) and Lu Dongrong (盧冬榮) (both of whom are Independent Third Parties) at a consideration of RMB4 million and RMB10 million, respectively. The considerations were determined after arm's length negotiation with reference to the property value and geographic location of Anqiu Hygeia Hospital. Upon completion of such equity transfers, Anqiu Hygeia Hospital became our wholly-owned subsidiary.

Chengwu Hygeia Hospital

On January 12, 2017, Gamma Star Tech acquired the 80% equity interest in Chengwu Hygeia Hospital from Zhao Hui (趙慧) (an Independent Third Party) at a consideration of RMB20 million which was determined after arm's length negotiation with reference to the property value, geographic location and revenue of Chengwu Hygeia Hospital. We acquired the remaining 20% equity interest from Zhao Hui during our Reorganization. See "– Reorganization – Onshore Reorganization – (iv) Acquisitions of Remaining Equity Interests in Our Non-wholly Owned Subsidiaries" below for details of such acquisition. Upon completion of such equity transfers, Chengwu Hygeia Hospital became our wholly-owned subsidiary.

Acquisition of Organizer's Interests in Private Not-for-profit Hospitals

From 2011 to 2015, we acquired the entire organizer's interest in three private not-for-profit hospitals where we launched our hospital management business. Details of these acquisitions are set forth below:

Name of Hospital	Date of acquisition	Transferor[(1)]	Transferee	Total consideration[(2)]
Handan Renhe Hospital	July 31, 2011	Gao Jin (高津)	Gamma Star Tech	RMB28 million
Kaiyuan Jiehua Hospital	November 12, 2012	Shenzhen Zhengxiang Medical Technology Co., Ltd. (深圳市正祥醫療科技有限公司)	Gamma Star Tech	RMB16 million
Handan Zhaotian Hospital	August 27, 2015	Gong Yi (鞏憶)	Qiushi Investment	RMB24.5 million

Notes:

(1) All of the transferors are Independent Third Parties.

(2) The considerations were determined after arm's length negotiation with reference to the underlying assets, development potential and industry outlook of the target hospital.

OUR PRINCIPAL OPERATING SUBSIDIARIES

The date of establishment and commencement of business and principal business activities of each member of our Group that made a material contribution to our results of operations during the Track Record Period are set forth below:

Name of company	Date of establishment	Date of commencement of business	Principal business activities
Gamma Star Tech	May 20, 2004	December 22, 2004	Hospital management and production of our proprietary SRT equipment
Gamma Star	January 10, 2007	January 10, 2007	Corporate management
Longyan Boai Hospital	October 30, 2002	September 8, 2015(1)	Healthcare services
Suzhou Canglang Hospital	March 23, 2015	November 27, 2015(1)	Healthcare services
Shanxian Hygeia Hospital	November 20, 2012	May 19, 2016	Healthcare services
Chengwu Hygeia Hospital	November 25, 2016	January 12, 2017(1)	Healthcare services
Chongqing Hygeia Hospital	November 9, 2015	April 13, 2018	Healthcare services
Anqiu Hygeia Hospital	January 28, 2008	July 16, 2018(2)	Healthcare services
Heze Hygeia Hospital	January 23, 2013	December 3, 2018	Healthcare services

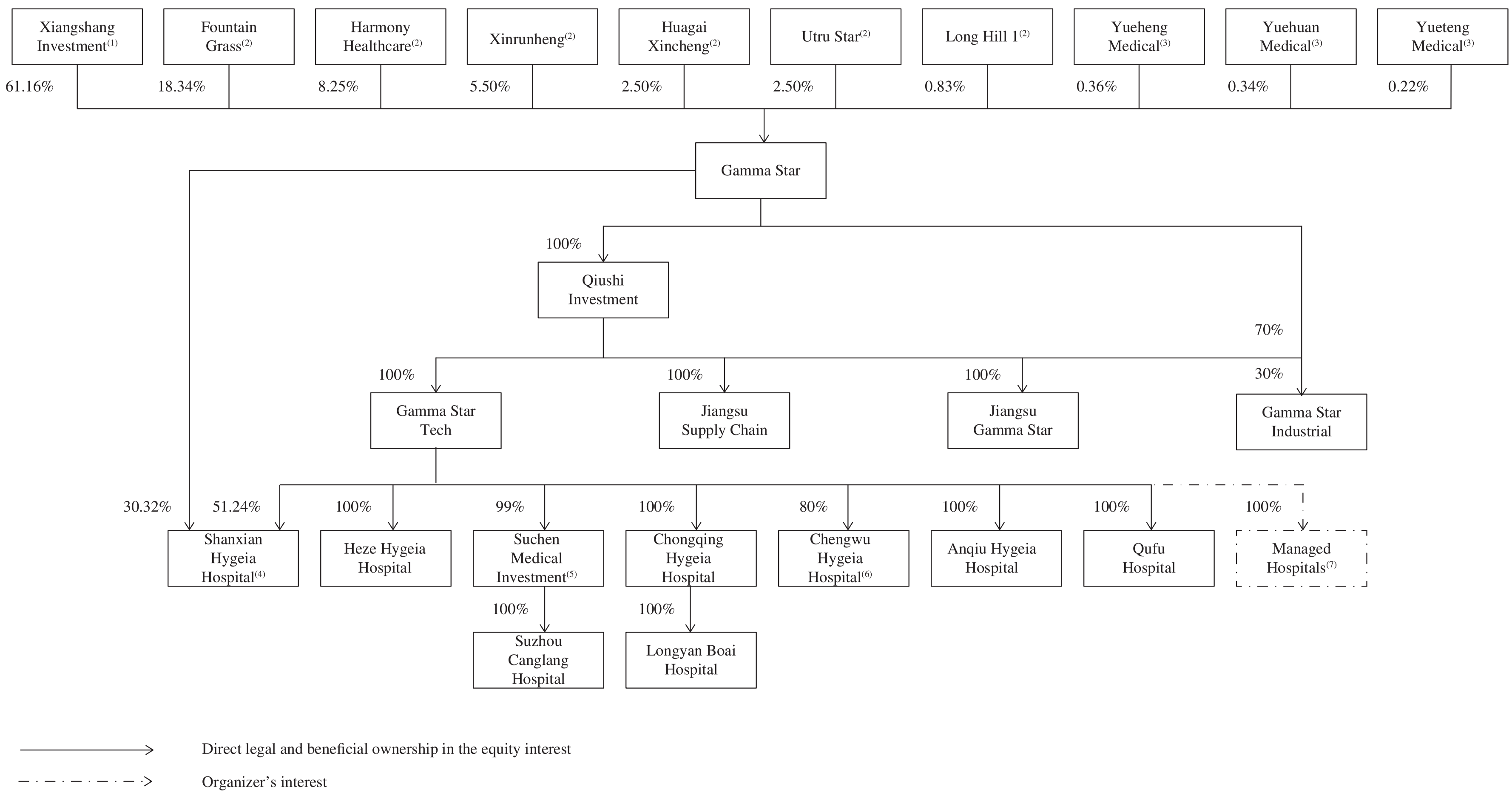
Notes:

(1) The hospital was in operation prior to our acquisition, and the date of commencement of business refers to the date of our acquisition.

(2) Anqiu Hygeia Hospital was abandoned and not in operation immediately prior to our acquisition, and the date of commencement of business refers to the date when the hospital resumed operations as a result of our integration efforts.

REORGANIZATION

In order to optimize our corporate structure and to more readily access the international capital markets, we underwent a corporate reorganization in preparation for the Listing. Set out below is the corporate structure of our Group immediately prior to the Reorganization:



Notes:

(1) Xiangshang Investment was owned by Mr. Zhu, Ms. Zhu and Ms. Ji Hairong (spouse of Mr. Zhu) as to 40%, 30% and 30%, respectively. During the Reorganization and on February 15, 2019, Ms. Ji Hairong transferred her 30% equity interest in Xiangshang Investment to Ms. Zhu for family estate planning purpose. As of the Latest Practicable Date, Xiangshang Investment was owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively.

(2) Fountain Grass, Harmony Healthcare, Xinrunheng, Huagai Xincheng, Utru Star and Long Hill 1 are our Pre-IPO Investors prior to the Reorganization. Except for Fountain Grass, all the other investors held equity interests in Gamma Star through their respective affiliate prior to the Reorganization. For details of their investments, see "– Pre-IPO Investments" below.

(3) Yueheng Medical, Yuehuan Medical and Yueteng Medical were held by the participants of our Pre-IPO Restricted Share Scheme. Please see the section headed "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme" for details.

(4) The remaining 18.44% equity interest in Shanxian Hygeia Hospital was held by Shanxian ESOP Platforms, namely HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian as to approximately 9.84%, 4.41% and 4.19%, respectively. For details, please see "– Our Corporate Development – Establishment of New Hospitals – Shanxian Hygeia Hospital" above.

(5) Prior to the Reorganization, the remaining 1% equity interest in Suchen Medical Investment was held by Shanghai Ruqiao Investment Management Co., Ltd. (上海如喬投資管理有限公司), a company controlled by Ren Ai, our executive Director. After completion of the Reorganization, Suchen Medical Investment became our wholly-owned subsidiary. See "– Reorganization – Onshore Reorganization – (iv) Acquisitions of Remaining Equity Interests in Our Non-wholly Owned Subsidiaries" for details.

(6) Prior to the Reorganization, the remaining 20% equity interest in Chengwu Hygeia Hospital was held by Zhao Hui (趙慧) (an Independent Third Party). After completion of the Reorganization, Chengwu Hygeia Hospital became our wholly-owned subsidiary. See "– Reorganization – Onshore Reorganization – (iv) Acquisitions of Remaining Equity Interests in Our Non-wholly Owned Subsidiaries" for details.

(7) Managed Hospitals include Handan Renhe Hospital, Kaiyuan Jiehua Hospital and Handan Zhaotian Hospital.

Offshore Reorganization

(i) Incorporation of Our Company

On September 12, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorized share capital of our Company was US$50,000 divided into 500,000,000 Shares of US$0.0001 par value each.

Upon incorporation, one Share was allotted and issued at par value to our initial subscriber. On the even date, our initial subscriber transferred its one Share to Group & Ray I Limited and our Company allotted and issued 396,436 Shares, 297,326 Shares, 297,326 Shares, 4,455 Shares and 4,456 Shares at par value to Century River (wholly-owned by Mr. Zhu), Amber Tree (wholly-owned by Ms. Zhu), Red Palm (wholly-owned by Ms. Zhu), Group & Ray I Limited and Group & Ray II Limited, respectively. Group & Ray I Limited and Group & Ray II Limited are owned by participants of our Pre-IPO Restricted Share Scheme. For details of our Pre-IPO Restricted Share Scheme, please see the section headed "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme." Upon completion of such share transfer and allotment, our Company was owned by Century River, Amber Tree, Red Palm, Group & Ray I Limited and Group & Ray II Limited as to approximately 39.64%, 29.73%, 29.73%, 0.45% and 0.45%, respectively.

(ii) Incorporation of Our Offshore Subsidiaries

On October 2, 2018, Hygeia BVI was incorporated in the British Virgin Islands with 50,000 authorized shares of US$1.00 par value each. All the 50,000 shares were issued at par value to our Company on the even date and Hygeia BVI became a direct wholly-owned subsidiary of our Company.

On October 19, 2018, Hygeia HK was incorporated in Hong Kong with a total amount of issued share capital of HK$10,000. 10,000 shares were issued to Hygeia BVI for a consideration of HK$10,000 on the even date and Hygeia HK became an indirect wholly-owned subsidiary of our Company.

(iii) Allotment and Issuance of Shares

On October 15, 2018, our Company allotted and issued 5,971 Shares at par value to Group & Ray III Limited which are owned by participants of our Pre-IPO Restricted Share Scheme. For details of our Pre-IPO Restricted Share Scheme, please see the section headed "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme."

On May 6, 2019, WuXi AppTec and Long Hill 1 Plus subscribed for 40,838 Shares and 20,419 Shares at a consideration of US$20 million and US$10 million, respectively. On May 10, 2019, Long Hill HGY made a further investment in our Company by subscribing for additional 15,423 Shares at a consideration of US$7.8 million. See "– Pre-IPO Investments" below for details of such share subscriptions.

(iv) Further Allotment and Issuance of Shares to Onshore Shareholders

In exchange for certain equity interest in Gamma Star not held by Hygeia HK, our Company allotted and issued certain Shares to certain onshore shareholders of Gamma Star or their affiliates. See "– Onshore Reorganization – (vi) Capital Contribution in and Acquisition of Gamma Star by Hygeia HK" below for details of the share allotment and issuance. Upon completion of the share allotment and issuance, the shareholding of our Company is set forth below:

Shareholder[(1)]	**Number of Shares held**	**Approximate shareholding percentage**
Century River	400,472	23.54%
Amber Tree	297,326	17.48%
Red Palm	297,326	17.48%
Fountain Grass	297,259	17.47%
Harmony Healthcare	133,682	7.86%
Xinrunheng	89,122	5.24%
Huagai Xincheng	40,510	2.38%
Utru Star	40,510	2.38%
Long Hill 1	13,368	0.79%
Long Hill 1 Plus	20,419	1.20%
Long Hill HGY	15,423	0.91%
WuXi AppTec	40,838	2.40%
Group & Ray I Limited	4,456	0.26%
Group & Ray II Limited	4,456	0.26%
Group & Ray III Limited	5,971	0.35%
Total	1,701,138	100%

Notes:

(1) For details of the shareholders of our Company, please see "– Corporate Structure – After Reorganization and Pre-IPO Investments and immediately before Completion of the Capitalization Issue and the Global Offering" below.

(v) Further Allotment and Issuance of Shares pursuant to the Pre-IPO Share Award Scheme

On July 17, 2019, our Company allotted and issued an aggregate of 23,018 Shares, representing approximately 1.34% of our total issued share capital, pursuant to the Pre-IPO Share Award Scheme. For details, please see the section headed "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 2. Pre-IPO Share Award Scheme".

(vi) Share Subdivision

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

For details of the shareholding structure of our Company after the share subdivision, please see "– Corporate Structure – After Reorganization and Pre-IPO Investments and immediately before Completion of the Capitalization Issue and the Global Offering" below.

Onshore Reorganization

(i) Capital Contributions and Equity Transfer relating to the Contractual Arrangements

To address the PRC foreign ownership restrictions under the Foreign Investment Catalogue with respect to medical institutions in China, we underwent the following corporate restructurings:

Capital contribution in some of our hospitals by Hygeia Hospital Management

On April 8, 2019, Hygeia Hospital Management, a wholly-owned subsidiary of Xiangshang Investment which is in turn owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively, made capital contributions to some of our hospitals. Details of such capital contributions are set forth below:

Name of Hospital	Approximate amount of capital contribution	Ownership percentage of Hygeia Hospital Management after the capital contribution	Ownership percentage of our Company after the capital contribution
Heze Hygeia Hospital	RMB47,142,857	30%	70%
Suzhou Canglang Hospital	RMB5,657,143	30%	70%
Chongqing Hygeia Hospital	RMB21,428,571	30%	70%
Chengwu Hygeia Hospital	RMB7,800,000	30%	70%
Anqiu Hygeia Hospital	RMB6,428,571	30%	70%

Equity Transfer in Shanxian Hygeia Hospital from Gamma Star to Hygeia Hospital Management

On April 8, 2019, Gamma Star transferred its 11.56% equity interest in Shanxian Hygeia Hospital to Hygeia Hospital Management at a consideration of approximately RMB34.8 million which was determined after arm's length negotiation with reference to the net assets value of Shanxian Hygeia Hospital. Upon completion of such equity transfer, Shanxian Hygeia Hospital was owned by Gamma Star, Gamma Star Tech and Hygeia Hospital Management as to approximately 18.76%, 51.24% and 11.56%, respectively, and the remaining 18.44% was held by three entities established as incentives to the employees of Shanxian Hygeia Hospital, namely HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian. For details, please see "– Our Corporate Development – Establishment of New Hospitals – Shanxian Hygeia Hospital" above.

(ii) Entering into the Contractual Arrangements

On April 8, June 20 and December 18, 2019, we entered into the Contractual Arrangements in order to control Hygeia Hospital Management to further prevent leakages of equity and values to the minority shareholder of certain of our hospitals and to obtain the maximum economic benefits of these medical institutions. Please refer to the section headed "Contractual Arrangements" in this prospectus for further details.

(iii) Change of the 30% Organizer's Interest in Our Private Not-for-profit Hospitals

To address the PRC foreign ownership restrictions under the Foreign Investment Catalogue with respect to medical institutions in China, on May 8, 2019, we changed the 30% organizer's interest in Kaiyuan Jiehua Hospital from members of our Group to Xiangshang Investment. We made the same changes to Handan Renhe Hospital and Handan Zhaotian Hospital on June 2, 2019[1].

(iv) Acquisitions of Remaining Equity Interests in Our Non-wholly Owned Subsidiaries

On January 24, 2019, Gamma Star Tech acquired the remaining 20% equity interest in Chengwu Hygeia Hospital from Zhao Hui (趙慧) (an Independent Third Party) at a consideration of RMB6 million which was determined after arm's length negotiation with reference to the property value, geographic location and revenue of Chengwu Hygeia Hospital.

On January 21, 2019, Gamma Star Tech acquired the remaining 1% equity interest in Suchen Medical Investment from Shanghai Ruqiao Investment Management Co., Ltd. (上海如喬投資管理有限公司), a connected person of our Company, at a consideration of approximately RMB1.1 million which was determined after arm's length negotiation with reference to the registered capital of Suchen Medical Investment.

Upon completion of the above equity transfers, Chengwu Hygeia Hospital and Suchen Medical Investment became our wholly-owned subsidiaries.

(v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia

To optimize our management and other resources and to focus on our core business, we disposed of our entire equity interest in Gamma Star Industrial and Qufu Hospital to Jiangsu Gurun Medical Technology Co., Ltd. (江蘇鈷潤醫療科技有限公司) ("**Jiangsu Gurun**") which principally engaged in medical investments business and is owned by Zhang Qianjin (張前進) as to 60% and by Wang Hao (王皓) as to 40%. Jiangsu Gurun is an Independent Third Party and has no overlap in the directors, key management personnel or shareholders with our Group. To the best of our knowledge, Zhang Qianjin and Wang Hao are practitioners primarily engaged in the radiotherapy service business, each with over 10 years of industry experience. We became acquainted with Zhang Qianjin and Wang Hao in our ordinary course of business after they became the service providers of the radiotherapy centers which use our proprietary SRT equipment after Mr. Zhu acquired Gamma Star Tech in 2009, and 2016, respectively. The person in charge of the radiotherapy center business with public hospitals left our Group with Gamma Star Industrial after it was acquired by Jiangsu Gurun. Save as disclosed in this prospectus, each of Jiangsu Gurun, Zhang Qianjin and Wang Hao has no other past or present relationship (including business, financing, trust, employment or otherwise) with the Company and its subsidiaries, their shareholders, Directors, senior management and any of their respective associates. The details of the disposals are set forth below:

1 The changes of 30% organizer's interest in Handan Renhe Hospital and Handan Zhaotian Hospital have not been filed with the competent authorities because organizer's interest is not a registered item whose changes are explicitly required to be filed under PRC laws and regulations, and practice varies in different places in the PRC. According to the on-site inquiries made by our PRC Legal Advisors with the Administrative Approval Bureau of Handan City and the Administrative Approval Bureau of Cheng'an County in Handan City, the competent registration authorities of Handan Renhe Hospital and Handan Zhaotian Hospital, respectively, (i) no procedures for filing the change of organizer's interest are available in Handan City and thus such filing could not be operated in practice in Handan City; and (ii) the lack of such filing would not affect the validity of the agreements regarding the change of organizer's interest entered by the parties thereto. As such, our Company believes that there is no material adverse impact even though the two hospitals could not file such changes. Nevertheless, Handan Renhe Hospital and Handan Zhaotian Hospital will complete such filings as soon as practicable under applicable laws.

Name of disposed company	Date of disposal	Total consideration[1]	Reasons for the disposal
Gamma Star Industrial	October 16, 2018	RMB20 million	Historically, Gamma Star Industrial operated an independent business line of radiotherapy center business with public hospitals, while our Group primarily cooperates with private hospitals. The businesses of Gamma Star Industrial and our Group are different in nature and operated as standalone businesses under different management teams. As such, we disposed of it to focus our resources on our core business.
Qufu Hospital	October 15, 2018	RMB4.8 million	The properties of Qufu Hospital are leased and not self-owned. Plus its comparatively small GFA, our Directors believe that Qufu Hospital is not consistent with our development strategies for the hospital business.

Notes:

(1) The considerations were determined based on arm's length negotiations with reference to the disposed company's net assets value as of September 30, 2018 and actual assets counts.

Our Directors confirm that neither Gamma Star Industrial nor Qufu Hospital had any non-compliance incidents or was involved in any litigations which would materially and adversely affect our business, financial condition or results of operation, during the Track Record Period and before it was respectively disposed of.

For the accounting implications regarding the abovementioned disposals, please refer to Notes 1.3 and 34 of the Accountant's Report in Appendix I to this prospectus.

We deregistered Shanghai Hygeia, which was held by Gamma Star and Xiangshang Investment as to 70% and 30% respectively, on December 10, 2019, because Shanghai Hygeia had no business operation since its establishment on May 28, 2019, and we had no development plan for it.

(vi) Capital Contribution in and Acquisition of Gamma Star by Hygeia HK

On June 3, 2019, Hygeia HK and Xiangshang Investment made a capital contribution of RMB200,723,894 and RMB122,423, respectively, to Gamma Star. After the capital contribution, the registered capital of Gamma Star increased from RMB49,153,683 to RMB250 million, which was held as to 80.29% by Hygeia HK and an aggregate of 19.71% by its remaining shareholders.

On the even date and immediately after the capital contribution, Hygeia HK acquired all the remaining equity interest in Gamma Star not held by it and Gamma Star became an indirect wholly-owned subsidiary of our Company. Details of the acquisitions are set forth below:

Transferor	Equity interest transferred	Total consideration
Xiangshang Investment	12.07%	RMB174,877,354[1]
Yueheng Medical	0.07%	RMB1,025,419[1]
Yuehuan Medical	0.07%	RMB955,899[1]
Yueteng Medical	0.04%	RMB634,369[1]
Fountain Grass	3.61%	297,259 Shares allotted and issued by our Company
Harmony Healthcare	1.62%	133,682 Shares allotted and issued by our Company[2]
Xinrunheng	1.08%	89,122 Shares allotted and issued by our Company[2]
Long Hill	0.16%	13,368 Shares allotted and issued by our Company
Huagai Xincheng	0.49%	40,510 Shares allotted and issued by our Company[2]
Utru Star	0.49%	40,510 Shares allotted and issued by our Company[2]

Notes:

(1) The considerations were determined with reference to the net assets value of Gamma Star.

(2) The total consideration also included additional cash consideration at par value for the Shares allotted and issued by our Company.

Concert Party Arrangement

On September 25, 2019, Mr. Zhu and Ms. Zhu entered into a concert party confirmation, pursuant to which Mr. Zhu and Ms. Zhu confirmed that since they held equity interest in the Group, they had and will continue to, for so long as they remain interested, directly or indirectly, in the Shares of the Company, communicate thoroughly before the shareholders' meetings of the Company and act in concert by aligning their votes at the shareholders' meetings of the Company. They also confirmed that Mr. Zhu had and will continue to take the lead, and Ms. Zhu had supported and will continue to support Mr. Zhu in this regard by following Mr. Zhu's decisions in relation to the exercise of their voting rights at the meetings of the shareholders of the Company.

Mr. Zhu and Ms. Zhu served as directors of our Company during the Track Record Period. Mr. Zhu resigned from directorship in January 2020 for personal reasons and after having considered our established corporate governance, and Ms. Zhu (a non-executive role in nature) resigned in February 2020 as a result of board adjustment in preparation for the Listing. For details, please see the section headed "Relationship with Our Controlling Shareholders."

PRE-IPO INVESTMENTS

Overview

In order to further develop our Group's business and benefit from the institutional investors' industry knowledge and experience, we introduced several Pre-IPO Investors to become shareholders of our Group.

The consideration for each of the Pre-IPO Investments was determined based on arm's length negotiations with the Pre-IPO Investors after taking into account, among others, the timing of the investments, the illiquidity of the shares as a private company when the Pre-IPO Investments were entered into, our business performance, market conditions and our market position.

Principal Terms of the Pre-IPO Investments

The principal terms of the Pre-IPO Investments are set forth below:

	Round One	Round Two	Round Three	Round Four
Name of the Pre-IPO Investors	Fountain Grass	Harmony Healthcare and Xinrunheng	Huagai Xincheng, Utru Star and Long Hill 1	WuXi AppTec, Long Hill 1 Plus and Long Hill HGY
Date of relevant agreement with the Pre-IPO Investor	October 21, 2015 and June 27, 2016	September 20, 2016	June 28, 2017	January 21, 2019 and May 10, 2019
Date of closing of the relevant Pre-IPO Investment[(1)]	August 24, 2016	November 2, 2016	July 19, 2017	May 13, 2019
Amount of the relevant Pre-IPO investment	US$75 million[(3)]	RMB500 million	RMB230 million[(4)]	US$37.8 million
Cost per share paid	HK$7.02	HK$8.81	HK$9.57	HK$13.72

	Round One	Round Two	Round Three	Round Four
Discount to the Offer Price(2)	60.43%	50.35%	46.08%	22.69%
Lock-up	The Shares held by the Pre-IPO Investors are subject to a lock-up period of six months after the Listing.			
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the development and operation of our Group as well as for general working capital purposes. As of the Latest Practicable Date, the net proceeds received by us from the Pre-IPO Investments had not yet been fully utilized.			
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors and their industry knowledge and experience.			

Notes:

(1) This represents the date on which the last member of the relevant round of investors irrevocably settled and paid the funds for the relevant investments into our Group.

(2) Assuming the Offer Price is fixed at HK$17.75, being the mid-point of the indicative Offer Price range.

(3) Out of the US$75 million investments, US$49 million was paid to our Group as new investment and the rest US$26 million was paid to the then existing shareholder of our Group, NEA FDI, Ltd (an American-based venture capital firm focusing all investment stages with active portfolio of more than 500 growing businesses in the technology and healthcare sectors), for acquisition of its equity interest in our Group.

(4) Out of the RMB230 million investments, RMB91 million was paid to our Group as new investments and the rest RMB139 million was paid to the then existing shareholder of our Group, NEA FDI, Ltd, for acquisition of its equity interest in our Group after which NEA FDI, Ltd ceased to be a shareholder of our Group.

Special Rights

Pursuant to a shareholders' agreement dated June 3, 2019 (the "**Shareholders' Agreement**"), the Pre-IPO Investors have been granted certain special rights including, among others, the right of first refusal, tag-along rights, put options, pre-emption rights and director nomination rights. As a result of the put options, the Shares issued to the Pre-IPO Investors were redeemable by our Company or our Controlling Shareholders. Key terms of the put options are set forth below:

- Each Pre-IPO Investor is entitled to require our Company to redeem all of its Shares at any time if no Qualified IPO (as defined in the Shareholders' Agreement) occurs on or prior to such date: (i) in the case of the round one Pre-IPO Investor, September 1, 2020 (which was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020); (ii) in the case of the round two Pre-IPO Investors, the earlier of (A) the date on which the round one Pre-IPO Investor exercises its put option; and (B) the fifth anniversary of the closing of the round two Pre-IPO Investments; and (iii) in the case of the round three and round four Pre-IPO Investors, the fifth anniversary of the respective closing date of the investment made by the round three and round four Pre-IPO Investors.

- If for any reasons our Company is unable to fulfil our obligation to buy back the redeemable Shares, the Controlling Shareholders as a whole (as for Ms. Zhu, subject to an upper limit that is equal to the fair market value of her interests in our Company) shall bear supplemental liabilities for the payment of the redeemable Shares that our Company fails to buy back.

- The redemption price for each Share shall be equal to (i) 100% of the underlying investment of such Shares, plus (ii) compounded annual return on the underlying investment of such Shares at a rate of (A) 10%, if the Shares are redeemed by our Company; or (B) 8% if the Shares are redeemed by the Controlling Shareholders; and (iii) less any dividends/income received by the Pre-IPO Investor prior to the redemption.

In addition, pursuant to the Shareholders' Agreement, Mr. Zhu is entitled to an anti-dilution right of his 5% equity interest in the Company which would not be diluted as a result of any issuance of Shares.

All special rights granted to the Pre-IPO Investors and the anti-dilution right held by Mr. Zhu will be automatically terminated upon the Listing.

Public Float

Immediately following the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Fountain Grass will be interested in approximately 13.79% of the issued share capital of the Company and will be a substantial shareholder upon the Listing. Therefore, Fountain Grass will be a core connected person of the Company and the Shares held by Fountain Grass will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing. Other than Fountain Grass, all the other Pre-IPO Investors are Independent Third Parties.

Except for Fountain Grass, none of the other Pre-IPO Investors (i) is a core connected person of the Group; (ii) has been financed directly or indirectly by a core connected person of the Group for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of the Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/its name or otherwise held by him/it, therefore the Shares held by these Pre-IPO Investors representing approximately 18.27% of our issued share capital immediately following the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

Information about Pre-IPO Investors

Fountain Grass

Fountain Grass Investment Ltd is a limited liability company established under the laws of Mauritius and an affiliate of Warburg Pincus LLC.

Harmony Healthcare

Harmony Healthcare Investment Holdings Limited is a BVI business company with limited liability and an affiliate of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司). Boyu Guangqu (Shanghai) Investment Management Co., Ltd. provides investment management and advisory services to various China-focused investment funds which aim at providing growth and transformational capital for fast-growing businesses in Greater China.

Xinrunheng

Xinrunheng Inc. is an exempted company duly incorporated and validly existing under the laws of the Cayman Islands and an affiliate of CITIC Capital Holdings Limited, a global alternative investment management and advisory company. CITIC Capital Holdings Limited manages over US$25 billion of capital from a diverse group of international institutional investors.

Long Hill (including Long Hill 1, Long Hill 1 Plus and Long Hill HGY)

The three Long Hill entities are all exempted limited partnerships established under the laws of Cayman Islands and managed by Long Hill Capital Management. Long Hill Capital Management is a China focused venture capital firm investing in technology enabled healthcare and consumer companies.

WuXi AppTec

WuXi PharmaTech Healthcare Fund I L.P. is an exempted limited partnership established in the Cayman Islands in 2011 and specializes in the investment of pharmaceutical, biotech and healthcare companies. The general partner of WuXi PharmaTech Healthcare Fund I L.P. is a wholly owned subsidiary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司) and all the limited partnership interests of WuXi PharmaTech Healthcare Fund I L.P. are also wholly owned by WuXi AppTec Co., Ltd. WuXi AppTec Co., Ltd. is a leading global pharmaceutical R&D services platform listed on the Stock Exchange (stock code: 2359) and the Shanghai Stock Exchange (stock code: 603259).

Huagai Xincheng

Huagai Xincheng is a BVI business company with limited liability and an affiliate of Huagai Capital Co., Ltd. (華蓋資本有限責任公司), a professional equity investment manager with a focus in the healthcare industry.

Utru Star

Utru Star is a BVI business company with limited liability and an affiliate of BOC & UTRUST Private Equity Fund Management (GuangDong) Co., Ltd (中銀粵財股權投資基金管理(廣東)有限公司), a private equity firm in the PRC jointly established by Utrust Investment Holdings Limited and Bank of China Group Investment Limited.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Guidance Letter GL29-12 issued on January 2012 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

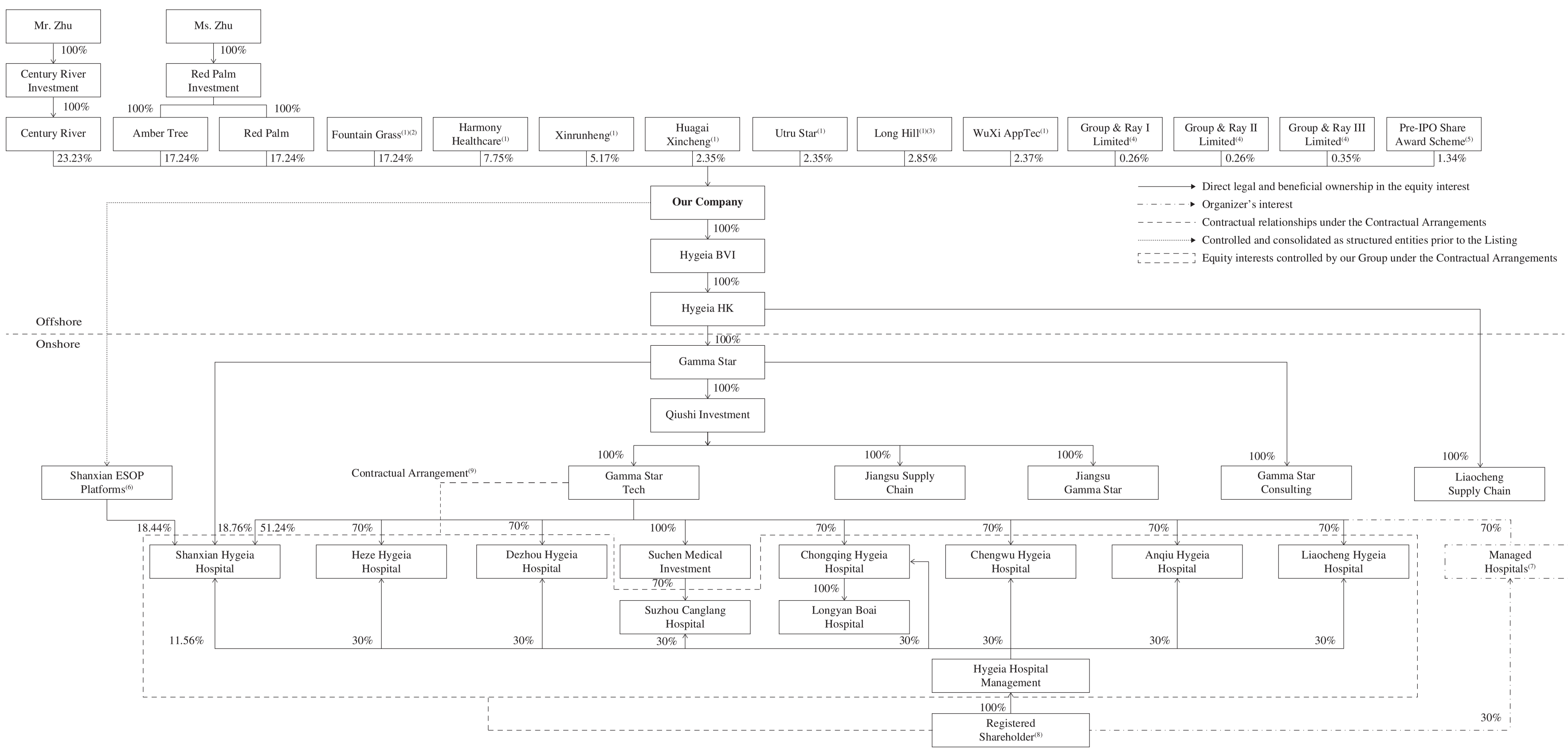
CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 462,758,440 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of US$4,627.5844 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then-existing issued Shares.

CORPORATE STRUCTURE

After Reorganization and Pre-IPO Investments and immediately before Completion of the Capitalization Issue and the Global Offering

The following chart sets forth the shareholding structure of our Group after the Reorganization and the Pre-IPO Investments and immediately before completion of the Capitalization Issue and the Global Offering:



Notes:

(1) Fountain Grass, Harmony Healthcare, Xinrunheng, Huagai Xincheng, Utru Star, Long Hill and WuXi AppTec are our Pre-IPO Investors. Other than Fountain Grass who will be our substantial shareholder upon the Listing, all the other Pre-IPO Investors are Independent Third Parties. Please see "– Pre-IPO Investments – Information about Pre-IPO Investors" above for details of the Pre-IPO Investors.

(2) Fountain Grass 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.

(3) Immediately before the completion of the Capitalization Issue and the Global Offering, the equity interest of Long Hill was held by Long Hill Capital Venture Partners 1, L.P. as to 0.78%, Long Hill Capital Venture Partners 1 Plus, L.P. as to 1.18% and Long Hill Capital Venture Partners HGY, L.P. as to 0.89%. Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the equity interest of Long Hill was held by Long Hill Capital Venture Partners 1, L.P. as to 0.62%, Long Hill Capital Venture Partners 1 Plus, L.P. as to 0.95% and Long Hill Capital Venture Partners HGY, L.P. as to 0.71%.

(4) Group & Ray I Limited, Group & Ray II Limited and Group & Ray III Limited were wholly-owned by Group & Ray I Investment Limited, Group & Ray II Investment Limited and Group & Ray III Investment Limited respectively, which were in turn held by the participants of our Pre-IPO Restricted Share Scheme. Please see the section headed "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme" for details.

(5) On July 17, 2019, our Company allotted and issued an aggregate of 23,018 Shares, representing approximately 1.34% of our total issued share capital, pursuant to the Pre-IPO Share Award Scheme. For details, please see the section headed "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans – 2. Pre-IPO Share Award Scheme."

(6) 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 our Group and we have 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 our Company when preparing the consolidated financial statements. After the Listing, we will not consolidate the Shanxian ESOP Platforms. For details, please refer to Notes 29(b) and 39 to the Accountant's Report in Appendix I to this prospectus.

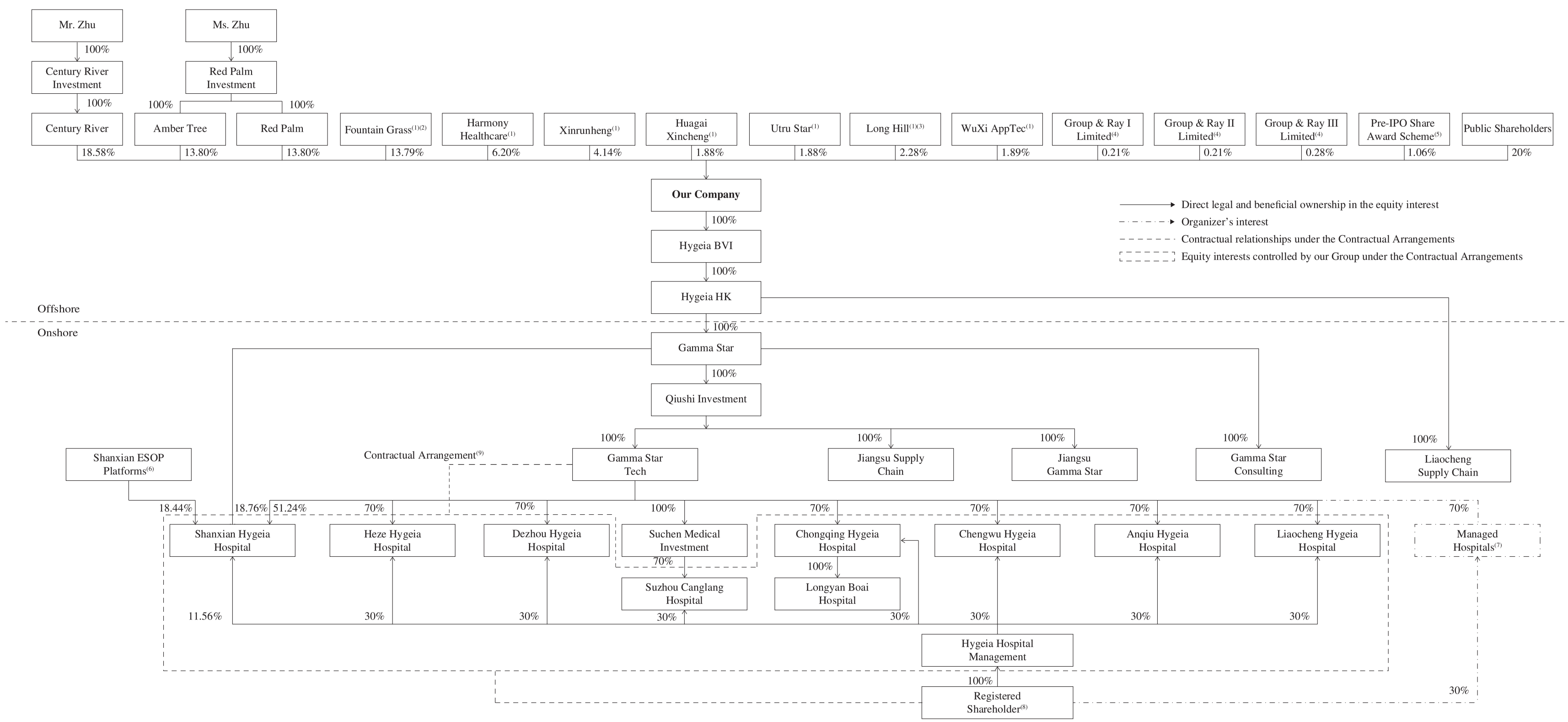
(7) Managed Hospitals include Handan Renhe Hospital, Kaiyuan Jiehua Hospital and Handan Zhaotian Hospital.

(8) 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.

(9) We entered into the Contractual Arrangements with our VIE Hospitals, Hygeia Hospital Management, Gamma Star Tech and Xiangshang Investment. Please see the section headed "Contractual Arrangements" for details.

Immediately Following the Completion of the Capitalization Issue and the Global Offering

The following chart sets forth the shareholding structure of our Group immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) - (9): Please refer to the corresponding notes to the chart in "Corporate Structure – After Reorganization and Pre-IPO Investments and immediately before Completion of the Capitalization Issue and the Global Offering" above.

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, all required regulatory approvals in relation to the equity transfers in the PRC and the onshore reorganization as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations. Our PRC Legal Advisors further confirmed that the equity transfers, disposals and capital contributions in the PRC as described above have been properly and legally completed.

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**") jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that the prior CSRC and MOFCOM approvals under the M&A Rules for the Global Offering is not required because Gamma Star was a foreign-invested enterprise since its establishment and did not become a foreign-invested enterprise through merger or acquisition under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and whether the MOFCOM and other related government authorities would promulgate future PRC laws, regulations or rules contrary to the M&A Rules.

SAFE Registration in the PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be subject to penalty and sanction and restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks under SAFE Circular 37.

As advised by our PRC Legal Advisors, each of our individual beneficial owners who is required to complete the registration under SAFE Circular 37 and SAFE Circular 13 has duly completed the foreign exchange registrations on April 30, 2019 in relation to their offshore investments as PRC residents.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We primarily engage 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, as advised by our PRC Legal Advisors, the competent authorities for foreign investment administration where we operate our hospitals is of the view that our Company, as a foreign entity, shall not directly or indirectly hold more than 70.00% equity interest in each of our hospitals in the PRC (the "**Foreign Ownership Restriction**"). For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulatory Overview." As such, we currently hold 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 our 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, in order to control Hygeia Hospital Management to prevent leakages of equity and values to the minority shareholder of our VIE Hospitals and to obtain the maximum economic benefits of these hospitals, on April 8, June 20 and December 18, 2019[1] we entered into the Contractual Arrangements with our 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 has become entitled to all the economic benefits derived from their operations[2]. We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to Foreign Ownership Restriction in the PRC. Our Directors believe that the Contractual Arrangement are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into by and among Gamma Star Tech (our wholly-owned subsidiary), the VIE Hospitals, Hygeia Hospital Management and the Registered Shareholder, (ii) by entering into the Exclusive Operation Services Agreements (as defined below) with

1 On April 8, 2019, we entered into the Contractual Arrangements with our VIE Hospitals other than Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital which were not established yet. On June 20 and December 18, 2019, upon the establishment of Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital, we entered into the Contractual Arrangements with them respectively.

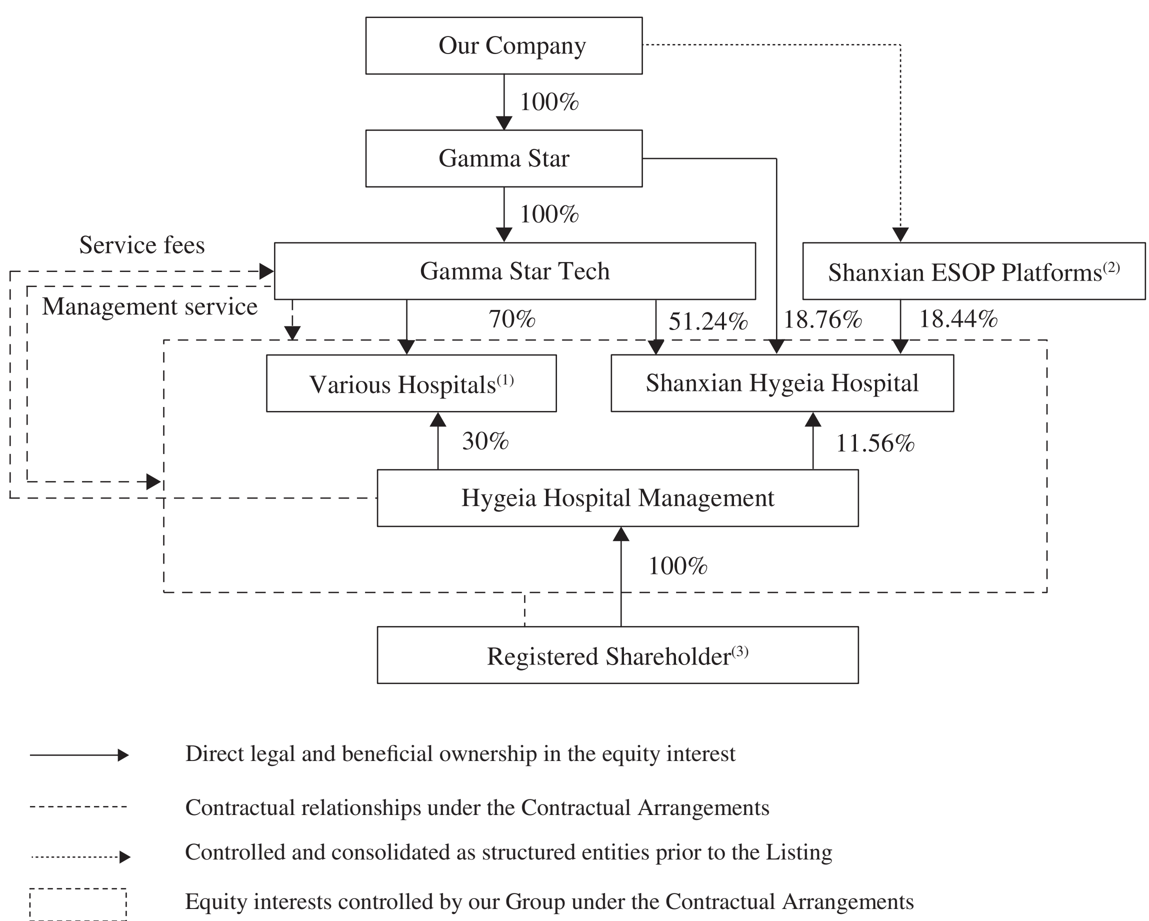
2 As prior to the Listing, the Shanxian ESOP Platforms were consolidated by our Company when preparing the consolidated financial statements, the remaining 18.44% equity interest in Shanxian Hygeia Hospital held by them were consolidated by our Company as well. Upon the Listing, we will not consolidate the Shanxian ESOP Platforms as well as the 18.44% equity interest in Shanxian Hygeia Hospital held by them. For details, please refer to Notes 29(b) and 39 to the Accountant's Report in Appendix I to this prospectus.

Gamma Star Tech, the VIE Hospitals will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

If and when MOFCOM and/or other relevant governmental authorities promulgate any measures for the administration of foreign-invested enterprises engaging in hospital services or such entities invested by foreign investors, depending on the maximum percentage of equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Hospitals up to the maximum percentage prescribed by such measures; and if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors and our Company would be allowed to directly hold the 100% equity interests in our VIE Hospitals (as to Shanxian Hygeia Hospital, we would be allowed to directly hold approximately 81.56% equity interest), we will fully unwind the Contractual Arrangements and directly hold the 100% equity interests in our VIE Hospitals (as to Shanxian Hygeia Hospital, we will directly hold the approximately 81.56% equity interest).

OUR CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our VIE Hospitals to our 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 and Dezhou 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 our Group and we have 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 our Company when preparing the consolidated financial statements. After the Listing, we will not consolidate the Shanxian ESOP Platforms. For details, please refer to Notes 29(b) and 39 to the Accountant's Report in Appendix I to this prospectus.

(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 description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(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 and Dezhou Hygeia Hospital on April 8, June 20 and December 18, 2019 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.

In addition, without the prior written consent of Gamma Star Tech, during the term of the Exclusive Operation Services Agreements, the Registered Shareholder, Hygeia Hospital Management and the VIE Hospitals shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Gamma Star Tech has the right to appoint any third party to provide any or all of the services, or to fulfill any of its obligations under the Exclusive Operation Services Agreements.

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.

The Exclusive Operation Services Agreements can only be terminated in the following events: (i) continued performance of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange, (ii) all of the Registered Shareholder's equity interests in Hygeia Hospital Management, all of Chongqing Hygeia Hospital's equity interests in Longyan Boai Hospital and all of the assets of Hygeia Hospital Management have been transferred to Gamma Star Tech or its designated person(s) pursuant to applicable PRC laws and regulations, (iii) all of Hygeia Hospital Management's equity interests in the VIE Hospitals and all of the assets of the VIE Hospitals attributable to Hygeia Hospital Management have been transferred to Gamma Star Tech or its designated person(s) pursuant to applicable PRC laws and regulations, or (iv) Gamma Star Tech unilaterally terminates the agreements.

(2) Exclusive Option Agreements

On each of April 8, June 20 and December 18, 2019, 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 and Dezhou Hygeia Hospital), Liaocheng Hygeia Hospital and Dezhou 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 Registered Shareholder and Hygeia Hospital Management undertake to develop the business of the VIE Hospitals and not to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Without the prior written consent of Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; and the VIE Hospitals shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon; and (ii) directly or indirectly (by itself or through the entrustment of any other natural person or legal entity) carry out, own or acquire any business that competes or is likely to compete with the business of Gamma Star Tech.

The Registered Shareholder, Hygeia Hospital Management and the VIE Hospitals further undertake that, upon Gamma Star Tech issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will take necessary actions to affect the transfer and relinquish the pre-emptive right (if any). Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Hygeia Hospital Management and the VIE Hospitals under the PRC laws, all the residual assets attributable to the Registered Shareholder and Hygeia Hospital Management shall be transferred to Gamma Star Tech or its designated person(s) at the minimum purchase price permitted under PRC laws, and each of the Registered Shareholder, Hygeia Hospital Management and the VIE Hospitals undertakes that they 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), (ii) in the event of bankruptcy, reorganization or merger of Hygeia Hospital Management or the Registered Shareholder or any other event which affects the Registered Shareholder's shareholding in Hygeia Hospital Management and Hygeia Hospital Management's shareholding in the VIE Hospitals, the successor of the Registered Shareholder's equity interest in Hygeia Hospital Management and the successor of Hygeia Hospital Management's equity interests in the VIE Hospitals shall be bound by the Contractual Arrangements, and (iii) any disposal of shareholding in Hygeia Hospital Management and the VIE Hospitals shall be governed by the Contractual Arrangements unless otherwise with the prior written consent of Gamma Star Tech.

The Exclusive Option Agreements became effective from signing and have an indefinite term unless terminated in the following events: (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange, (ii) all of the Registered Shareholder's equity interests in Hygeia Hospital Management, all of the Hygeia Hospital Management's equity interests in the VIE Hospitals and all of Chongqing Hygeia Hospital's equity interests in Longyan Boai Hospital are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, (iii) all of the assets of Hygeia Hospital Management and all of the assets of the VIE Hospitals attributable to Hygeia Hospital Management are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, or (iv) Gamma Star Tech unilaterally terminates the agreements.

(3) Entrustment Agreements and Powers of Attorney

On each of April 8, June 20 and December 18, 2019, 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 and Dezhou Hygeia Hospital), Liaocheng Hygeia

Hospital and Dezhou 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, 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 (ii) Chongqing Hygeia Hospital irrevocably authorizes the Attorney to exercise all of its rights and powers as a shareholder of Longyan Boai Hospital, including without limitation:

- to attend shareholders' meetings of Hygeia Hospital Management and the VIE Hospitals and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;

- to file documents with the relevant companies registry;

- to exercise all shareholder's rights and shareholder's voting rights in accordance with PRC laws and the constitutional documents of Hygeia Hospital Management and the VIE Hospitals, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Hygeia Hospital Management and the VIE Hospitals; and

- to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of Hygeia Hospital Management and the VIE Hospitals.

As Gamma Star Tech is an indirect wholly-owned subsidiary of our Company, the terms of the Entrustment Agreements and the Powers of Attorney give our 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 the following events: (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange, (ii) all of the Registered Shareholder's equity interests in Hygeia Hospital Management and all of the Hygeia Hospital Management's equity interests in the VIE Hospitals are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, (iii) all of the assets of Hygeia Hospital Management and all of the assets of the VIE Hospitals attributable to Hygeia Hospital Management are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, or (iv) Gamma Star Tech unilaterally terminates the agreements.

(4) Equity Pledge Agreements

On each of April 8, June 20 and December 18, 2019, 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 and Dezhou Hygeia Hospital), Liaocheng Hygeia Hospital and Dezhou 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.

If the VIE Hospitals and Hygeia Hospital Management declare any dividend during the term of the equity pledge, Gamma Star Tech is entitled to receive all dividends or other income arising from the equity interests pledged (if any). In the event of any breach of obligations by Hygeia Hospital Management, the Registered Shareholder or the VIE Hospitals, Gamma Star Tech, upon issuing a written notice to the pledgors, will be entitled to all remedies available under PPC laws and the Contractual Arrangements, including but not limited to disposing of the equity interests pledged in its favor.

Pursuant to the Equity Pledge Agreements, each of the Registered Shareholder, Hygeia Hospital Management and Chongqing Hygeia Hospital undertakes to Gamma Star Tech, among others, not to transfer their equity interests pledged and not to create or allow any pledge or encumbrance thereon that may affect the right and interest of Gamma Star Tech without its prior written consent. Hygeia Hospital Management and the VIE Hospitals further undertakes to Gamma Star Tech not to consent to any transfer the equity interests pledged or to create or allow any pledge or encumbrance thereon without Gamma Star Tech's prior written consent.

The pledges in respect of Hygeia Hospital Management and the VIE Hospitals take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholder, Hygeia Hospital Management and the VIE Hospitals under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholder, Hygeia Hospital Management and the VIE Hospitals under the relevant Contractual Arrangements have been fully paid.

We have registered the equity pledges contemplated under the Equity Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations other than the equity pledge in respect of Dezhou Hygeia Hospital which is currently in the process of registration.

(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.

Our PRC Legal Advisors are of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of Mr. Zhu and Ms. Zhu and (ii) the death or divorce of such shareholders would not affect the validity of the Contractual Arrangements, and Gamma Star Tech or our Company can still enforce their rights under the Contractual Arrangements against the Registered Shareholder and its successors.

Common terms of the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Hygeia Hospital Management and the VIE Hospitals or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Hygeia Hospital Management and the VIE Hospitals; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Gamma Star Tech or Hygeia Hospital Management or our VIE Hospitals are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Hygeia Hospital Management and the VIE Hospitals pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Hygeia Hospital Management, the VIE Hospitals or the Registered Shareholder breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert (i) fully effective control over Hygeia Hospital Management and the VIE Hospitals (other than Shanxian Hygeia Hospital), (ii) approximately 81.56% effective control over Shanxian Hygeia Hospital, and to conduct our business could be materially and adversely affected. See the section headed "Risk Factors – Risks Relating to the Contractual Arrangements" for further details.

Succession

As advised by our PRC Legal Advisors, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholder as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In the case of a breach, Gamma Star Tech can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the shareholding of Hygeia Hospital Management, any successor(s) of Hygeia Hospital Management shall assume any and all rights and obligations of Hygeia Hospital Management under the Contractual Arrangements as if such successor was a signing party to the relevant agreements.

Conflicts of Interests

The Registered Shareholder, Hygeia Hospital Management and VIE Hospitals undertake that, as long as the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Gamma Star Tech or Gamma Star Tech's direct or indirect shareholders. If there is any conflict of interest, Gamma Star Tech shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Registered Shareholder, Hygeia Hospital Management and the VIE Hospitals will unconditionally follow the instructions of Gamma Star Tech to take any action to eliminate such conflict of interest.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Gamma Star Tech is legally required to share the losses of, or provide financial support to Hygeia Hospital Management and the VIE Hospitals. Further, Hygeia Hospital Management and the VIE Hospitals are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through Hygeia Hospital Management and the VIE Hospitals, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Hygeia Hospital Management and the VIE Hospitals suffer losses.

Liquidation

Pursuant to the Equity Interest Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Hygeia Hospital Management and the VIE Hospitals shall, upon the request of Gamma Star Tech, give the proceeds they received from liquidation as a gift to Gamma Star Tech or its designee(s) to the extent permitted by PRC laws.

Accordingly, in the event of a winding-up of Hygeia Hospital Management and the VIE Hospitals, Gamma Star Tech shall be entitled to the liquidation proceeds of Hygeia Hospital Management and the VIE Hospitals based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Hygeia Hospital Management and the VIE Hospitals under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

As advised by our PRC Legal Advisors, Fujian MOFCOM, Health Commission of Fujian Province, Shandong MOFCOM, Health Commission of Shandong, Jiangsu MOFCOM, Health Commission of Jiangsu, Chongqing MOFCOM and Health Commission of Chongqing are the competent authorities for the administration of foreign investment in medical institutions in

Fujian, Jiangsu, Chongqing and Shandong respectively, and are of the view that the Company, as a foreign entity, shall not hold more than 70% equity interest in any medical institution in Fujian, Jiangsu and Chongqing or Shandong.

Our PRC Legal Advisors conducted interviews with officers of (i) Fujian MOFCOM and Health Commission of Fujian Province, (ii) Jiangsu MOFCOM and Health Commission of Jiangsu Province, (iii) Chongqing MOFCOM and Health Commission of Chongqing and (iv) Shandong MOFCOM and Health Commission of Shandong Province in respect of the Contractual Arrangements entitling the Company to control Hygeia Hospital Management and (i) the 30% equity interest in Longyan Boai Hospital, (ii) the 30% equity interest in Suzhou Canglang Hospital, (iii) the 30% equity interest in Chongqing Hygiea Hospital, (iv) the 30% equity interest in Heze Hygeia Hospital, Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Liaocheng Hygeia Hospital and Dezhou Hygeia Hospital and the 11.56% equity interest in Shanxian Hygeia Hospital, respectively. According to the officers in charge of the respective VIE Hospital, (i) no approval from the authority is required for the execution of the Contractual Arrangements; (ii) the execution of the Contractual Arrangements does not fall into its current supervision concerning foreign investment activities; and (iii) the Contractual Arrangements do not violate any mandatory provisions under current PRC law. Our PRC Legal Advisors are of the view that Fujian MOFCOM, Health Commission of Fujian Province, Jiangsu MOFCOM, Health Commission of Jiangsu Province, Chongqing MOFCOM, Health Commission of Chongqing, Shandong MOFCOM and Health Commission of Shandong Province are the competent authorities of each VIE Hospital located in the respective province and the officers interviewed are competent to give such confirmations in respect of foreign investments.

Our PRC Legal Advisors, following completion of reasonable due diligence steps, are of the following legal opinion:

- each of Gamma Star Tech, Hygeia Hospital Management and the VIE Hospitals is duly established and validly existing under the PRC laws;

- each of Gamma Star Tech, Hygeia Hospital Management and the VIE Hospitals has authority and authorisations to execute and perform the Contractual Arrangements;

- each of the agreements under the Contractual Arrangements, taken individually and collectively, does not violate the mandatory provisions existing PRC laws and regulations and constitutes legal, valid and binding obligations of the parties thereto except that (a) the Shanghai Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding-up of Hygeia Hospital Management and the VIE Hospitals pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

- the Contractual Arrangements do not, individually or collectively, violate the mandatory provisions of the PRC Contract Law (《中華人民共和國合同法》), the General Principles of the PRC Civil Law (《中華人民共和國民法通則》) and other applicable PRC laws and regulations and shall not be deemed as "concealing illegal intentions with a lawful form" resulting in the invalidity of the agreements under the Contractual Arrangements;

- none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Gamma Star Tech, Hygeia Hospital Management and the VIE Hospitals; and

- according to the confirmation of relevant competent authorities, the execution and performance of the Contractual Arrangements do not require any approvals from any PRC governmental authority, except that the Equity Pledge Agreements are subject to registration requirements with the relevant administration for industry and commerce and the exercising of the exclusive options by Gamma Star Tech according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

We have been advised by our PRC Legal Advisors, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC government finds that the Contractual Arrangements do not comply with PRC governmental restrictions on foreign investment in the restricted businesses, we could be subject to severe penalties, which could include:

(a) revoking the relevant operating licenses of Gamma Star Tech, Hygeia Hospital Management and our VIE Hospitals;

(b) restricting or prohibiting the Contractual Arrangements among Gamma Star Tech, Hygeia Hospital Management and our VIE Hospitals;

(c) imposing fines or other requirements with which our Company, Gamma Star Tech, Hygeia Hospital Management and our VIE Hospitals may find difficult or impossible to comply; and

(d) requiring us, Gamma Star Tech, Hygeia Hospital Management and our VIE Entity to restructure the relevant ownership structure or operations.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See the section headed "Risk Factors – Risks Relating to the Contractual Arrangements" for further details.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions."

As to the 18.44% equity interest in Shanxian Hygeia Hospital held by the Shanxian ESOP Platforms, after reviewing the partnership agreements of the Shanxian ESOP Platforms (which are domestic entities held by PRC citizens), our PRC Legal Advisors are of the view that setting up limited partnerships to hold the 18.44% equity interest in Shanxian Hygeia Hospital is legal and binding and does not violate any mandatory provisions under all relevant laws and regulations.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On December 23, 2018, the 7th meeting of the 13th Standing Committee of the National People's Congress reviewed the Draft Foreign Investment Law, which was promulgated by the National People's Congress on its official website on December 26, 2018 for public consultation until February 24, 2019, and further submitted the second draft of the 2018 draft foreign investment law to the National People's Congress (the "**NPC**") for deliberation on January 29, 2019. On March 15, 2019, 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.

Impact and Potential Consequences of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our VIE Hospitals, through which we operate our 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 our 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 our Shares. Please refer to the section headed "Risk Factors – Risks Relating to the Contractual Arrangements".

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group will adopt the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements:

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

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

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

(d) our 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, our Company believes that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of our 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 our 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;

(b) each of our 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 our Group;

(c) our 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 our Company and the Shareholders as a whole; and

(d) our 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 our 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 our Group and any other conflicts of interest which any such person has or may have with our Group.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Operation Services Agreements, it was agreed that, in consideration of the services provided by Gamma Star Tech, Hygeia Hospital Management will pay service fees to Gamma Star Tech. The amount and payment deadline will be determined by Gamma Star Tech and Hygeia Hospital Management through arms' length negotiations after considering (i) the complexity and difficulty of the services provided by Gamma Star Tech, (ii) the title of and time consumed by employees of Gamma Star Tech providing the services, (iii) the contents and value of the services provided by Gamma Star Tech, (iv) the market price of the same type of services, (v) the operation conditions of the Registered Shareholder and Hygeia Hospital Management, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, through the Exclusive Operation Services Agreements, Gamma Star Tech has the ability, at its sole discretion, to extract 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 profits 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 applicable PRC laws and regulations.

In addition, under the Exclusive Option Agreements, Gamma Star Tech has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Hygeia Hospital Management and the VIE Hospitals as Gamma Star Tech's prior written consent is required before making any distribution. In the event that the Registered Shareholder receives any profit distribution or dividend from Hygeia Hospital Management, Hygeia Hospital Management receives any profit distribution or dividend from the VIE Hospitals, the Registered Shareholder and Hygeia Hospital Management must immediately pay or transfer all such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Gamma Star Tech.

Upon the Listing, we own 70% equity interest in each of the VIE Hospitals and as a result of the aforementioned Contractual Arrangements, our Company has obtained control of the remaining equity interest of the VIE Hospitals through Gamma Star Tech. As such, our Company can receive substantially all of the economic interest returns generated by our VIE Hospitals.

OVERVIEW

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.

China is a large and fast growing market for oncology healthcare services. According to Frost & Sullivan, cancer incidence in China grew from approximately 4.0 million in 2015 to approximately 4.4 million in 2019, and is expected to grow further to approximately 5.1 million in 2025. Radiotherapy is one of the most common oncology treatment options. However, radiotherapy is significantly under-penetrated in China compared to developed countries, indicating great potential for further growth. Leveraging our market leadership, we believe that we are well positioned to capture the significant opportunities in this underserved market.

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 Latest Practicable Date, we operated or managed a network of 10 oncology-focused hospitals through our direct equity ownership or management rights, spanning across seven cities in six Provinces in China. In addition, we are currently providing services to 15 hospital partners (including our Managed Hospitals) in connection with their radiotherapy centers, which were located in nine Provinces in China.

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

One of our core competitive strengths that underpins our market leadership is our high-caliber and multi-disciplinary team of medical professionals, enabling us to treat cancer and other complex diseases with multiple approaches. With our proprietary SRT equipment, we operate a vertically integrated radiotherapy service model in delivering radiotherapy treatment to oncology patients, which has enabled us to capture synergies across the entire value chain, thus providing us with unique advantages in operating efficiency and profitability.

We experienced significant growth during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019, total patient visits of our in-network hospitals were 691,400, 760,776 and 946,637, respectively, while total patient visits of our in-network radiotherapy centers for radiotherapy treatment using our proprietary SRT equipment were

57,613, 58,056 and 59,207, respectively, for the same periods. Our revenue increased from RMB596.5 million in 2017 to RMB1,085.8 million in 2019, representing a CAGR of 34.9%. Our adjusted net profit, a non-IFRS measure, increased from RMB48.5 million in 2017 to RMB171.5 million in 2019, representing a CAGR of 88.0%. Please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items" for a reconciliation of (loss)/profit and total comprehensive (loss)/income to adjusted net profit. With a strategic focus on oncology, revenue generated from our oncology-related services accounted for 43.7%, 43.8% and 46.1%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019. Revenue generated from our oncology-related services with a CAGR of 38.6% from RMB260.7 million in 2017 to RMB500.9 million in 2019, showing a much faster growth than the overall oncology hospital market and the private oncology hospital market in China. Please see "Industry Overview – Overview of Oncology Healthcare Service Market in China – Market Size" for oncology healthcare service revenue generated by public and private oncology hospitals in China.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

The largest oncology healthcare group in China, well positioned to capture the significant unmet demand

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 of the Latest Practicable Date, we operated or managed a network of 10 oncology-focused hospitals. In addition, we are currently providing services to 15 hospital partners in connection with their radiotherapy centers. With a strategic focus on oncology, revenue generated from our oncology-related services accounted for 43.7%, 43.8% and 46.1%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019.

China is a large and fast growing market for oncology healthcare services. According to Frost & Sullivan, cancer incidence in China grew from approximately 4.0 million in 2015 to approximately 4.4 million in 2019, and is expected to grow further to approximately 5.1 million in 2025. In particular, Third-tier and Other Cities contributed the largest proportion of cancer incidence in China. For example, in 2019, cancer incidence in the First-tier Cities, Second-tier Cities and Third-tier and Other Cities was approximately 0.3 million, approximately 0.8 million and approximately 3.3 million, respectively. In the meantime, although public hospitals still dominate the oncology healthcare service market in China, they are unable to fully satisfy the rapid growth in demand for oncology healthcare services, creating market opportunities for private hospitals which may operate with more flexibility and can offer more people oriented care to patients. According to Frost & Sullivan, the private oncology hospital market in China has grown at a higher speed than the public oncology hospital market in China. In particular, the oncology healthcare service revenue generated by private oncology hospitals increased with a CAGR of 23.7% from RMB14.7 billion in 2015 to RMB34.4 billion in 2019, and is expected to grow further at a CAGR of 20.1% from 2020 to 2025, reaching RMB102.3 billion in 2025.

Radiotherapy is one of the most common oncology treatment options. According to Frost & Sullivan, approximately 70% of the oncology patients need radiotherapy treatment at different stages of disease development. In particular, radiotherapy is considered the primary treatment option for a wide variety of localized tumors, such as nasopharynx cancer and lymphoma. Radiotherapy is also widely used as adjuvant and neo-adjuvant treatment before and/or after surgery or chemotherapy and has been proven to be effective in the local control of tumors. Moreover, radiotherapy can offer palliative care and relieve cancer symptoms where a cure is not a viable goal. In addition to malignant tumors, radiotherapy can be used to treat benign tumors as well as certain cerebrovascular, neurological and psychiatric disorders. However, radiotherapy is significantly under-penetrated in China compared to developed countries, especially in the Third-tier and Other Cities, indicating great potential for further growth. For example, according to Frost & Sullivan, in 2019, the number of radiotherapy equipment per million population in China was 2.7, compared to 14.4 in the United States, 11.4 in Switzerland, 9.5 in Japan and 9.1 in Australia. In particular, in 2019, the number of radiotherapy equipment per million population in the Third-tier and Other Cities was 2.4, compared to 4.9 and 3.4 in the First-tier Cities and Second-tier Cities in China, respectively. In addition, according to Frost & Sullivan, in 2015, only 23% of the oncology patients received radiotherapy, compared to 60% in the United States.

By offering services that are able to treat any type of condition requiring radiotherapy and leveraging our market leadership and presence in the Third-tier and Other Cities with our established brand awareness, we believe that we are well positioned to capture the significant growth potential in this underserved market.

An extensive and nationwide footprint of oncology-focused hospitals and radiotherapy centers

Since we started our business in 2009, we have built an extensive and 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 Latest Practicable Date, we operated or managed a network of 10 oncology-focused hospitals through our direct equity ownership in seven private for-profit hospitals and management rights in three private not-for-profit hospitals, with these in-network hospitals spanning across seven cities in six Provinces in China. In addition, we are currently providing services to 15 hospital partners in connection with their radiotherapy centers, which were located in nine Provinces in China.

Our in-network hospitals have experienced significant growth during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019, total patient visits of our in-network hospitals were 691,400, 760,776 and 946,637, respectively, while total oncology patient visits of our in-network hospitals were 66,578, 72,179 and 87,361, respectively, for the same periods. Meanwhile, our in-network radiotherapy centers have gained increasing popularity during the Track Record Period, with total patient visits of our in-network radiotherapy centers for radiotherapy treatment using our proprietary SRT equipment were 57,613, 58,056 and 59,207, respectively, for the years ended December 31, 2017, 2018 and 2019.

In addition, we plan to establish new oncology-focused hospitals in Liaocheng and Dezhou, Shandong Province, Suzhou, Jiangsu Province and Longyan, Fujian Province. Please see "– Our Future Expansion" for more details. We have also entered into cooperation agreements with 23 additional hospital partners in connection with their radiotherapy centers, which were located in 13 Provinces. Please see "– Our Network of Hospitals and Radiotherapy Centers – Our Network of Radiotherapy Centers" for more details.

We believe our extensive and 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.

A high-caliber and multi-disciplinary team of medical professionals

We have built up a high-caliber and multi-disciplinary team of medical professionals, which we believe is crucial to our success and maintaining our leading market position. As of December 31, 2019, our self-owned hospitals had 597 full-time physicians, including 35 chief physicians, 64 associate chief physicians, 176 attending physicians and 322 resident physicians, who had extensive industry experience.

In particular, we have a deep bench of oncology experts, possessing medical expertise to treat a wide range of oncology conditions. As of December 31, 2019, our self-owned hospitals had 84 full-time oncologists with specialities in, among others, gynecologic cancer, orthopedic cancer, brain cancer, urologic cancer, hematologic cancer and gastrointestinal cancer, endocrine cancer, ophthalmic cancer as well as head and neck cancer. For example, the chief medical administrator of our Chongqing Hygeia Hospital currently serves as the vice chairman (副主任委員) in Oncology Professional Committee of Chongqing Medical Association (重慶市醫學會腫瘤學專業委員會), the standing committee member in Lung Cancer Professional Committee of Chongqing Anti-cancer Association (重慶抗癌協會肺癌專業委員會) and the vice chairman (副主任委員) in Oncology Biotherapy Professional Committee of Chongqing Anti-cancer Association (重慶抗癌協會腫瘤生物治療專業委員會).

In addition, we invite leading experts from renowned public and private hospitals to practice at our self-owned hospitals, providing patient consultation, performing surgeries and attending group discussions on difficult or complex cases when necessary. We benefit from these physicians' extensive experience and strong reputation because they share their expertise through training sessions and other exchanges of information and also help us instill patients' confidence and attract more patients. We also started to collaborate with leading overseas medical institutions to offer our patients with access to a second opinion on their diagnosis and treatment plan. Moreover, we have invited a Japanese physician, who is an acclaimed expert in oncology surgery, to practice at Chongqing Hygeia Hospital.

Our physicians enjoy the full support of our skillful other medical professionals. As of December 31, 2019, we had 1,271 other medical professionals who practiced at our self-owned hospitals. We place great emphasis on retaining our medical professionals by providing them with competitive compensation packages, attractive career development opportunities and a respectful and professional working environment.

Our high-caliber and multi-disciplinary team of medical professionals has enabled us to provide comprehensive treatment plans to oncology patients through collaboration among various clinical and medical technical departments. We believe our medical professional team is testament to our ability to provide oncology healthcare services to treat diverse patients and medical conditions through a wide range of oncology treatment options, which is critical to our success in attracting and retaining oncology patients.

Unique and vertically integrated radiotherapy service model underpinned by our proprietary SRT equipment

Our proprietary SRT equipment, which is the key radiotherapy equipment used in our in-network hospitals and radiotherapy centers and to which we own intellectual property rights, has enabled us to operate an unique and vertically integrated service model in delivering radiotherapy treatment, enabling our control over the entire value chain from ownership of intellectual property rights to the equipment, procurement of radioactive source, to production, installation and maintenance of the equipment, training of medical professionals on the operation of the equipment, and eventually to delivery of radiotherapy treatment to oncology patients. Under this model, we have established operating procedures and designate specialized teams to execute and monitor each stage of workflows. In particular, as of December 31, 2019, we had 84 oncology experts, 71 registered radiographers and 17 designated personnel responsible for production, installation and maintenance of our proprietary SRT equipment.

The oncology healthcare service industry in China is heavily regulated. For example, a significant number of high threshold requirements must be satisfied in order to obtain a Radiation Treatment License (放射診療許可證), which is a pre-requisite to the provision of radiotherapy treatment services. Building upon our extensive experience, expertise and resources accumulated through our years of operations, we believe that we are uniquely positioned to assist our hospital partners in promptly obtaining the requisite licenses and permits.

As such, our in-network hospitals enjoy synergies arising from our vertically integrated service model as it reduces their operating costs and improves their profitability, while our in-network radiotherapy centers benefit from our vertically integrated service model as it shortens the lead time necessary for them to commence operations and ensures their operational efficiency after commencement of operations. Therefore, we believe our vertically integrated service model differentiates us from our competitors and allows us to continuously expand our network of hospitals and radiotherapy centers in an efficient and cost-effective manner.

Highly scalable business model empowered by our centralized and standardized management system

We have adopted a centralized management structure at the headquarters level, which ensures that our overall strategies and business plans as well as Group-wide policies and procedures are well-coordinated and effectively supervised by our headquarters. Please see "– Management and Operation of Our In-Network Hospitals" for more details. We believe the high degree of standardization has enabled us to rapidly ramp up newly established hospitals and successfully integrate acquired hospitals, replicating our success within a short time frame and realizing rapid growth. In particular, we have established and launched three new hospitals between 2013 and 2018:

- ***Short development cycle***: Our self-established hospitals became operational within a period as short as 17 months after commencement of construction. By comparison, according to Frost & Sullivan, it generally takes 36 to 48 months for a general hospital with a GFA of 25,000 sq.m. to 80,000 sq.m. to became operational. Our self-established hospitals enjoy the support of our dedicated teams at the headquarters level who are responsible for construction supervision, application for requisite licenses and permits as well as building up of medical professional team.

- ***Quick ramp-up***: Our self-established hospitals have realized significant growth in revenue and profitability after commencement of operations. In addition, our self-owned hospitals reached monthly breakeven point, namely, beginning to record monthly net profit, within three to nine months after commencement of operations. By comparison, according to Frost & Sullivan, it generally takes around three years for a general hospital with a GFA of 25,000 sq.m. to 80,000 sq.m. to reach monthly breakeven point after commencement of operations.

In addition to establishing new hospitals on our own, we acquired equity interest or organizer's interest in eight hospitals in five Provinces between 2011 and 2017. After acquisition, we integrate the acquired hospitals into our centralized and standardized management system while at the same time providing them with appropriate operational autonomy, which enables the acquired hospitals to benefit from our network effects and synergies and achieve economies of scale. In addition, we invested in these hospitals to bring them in line with our standards, including optimizing the mix and focus of clinical departments, introducing new medical equipment, recruiting highly qualified physicians and medical professionals, aligning employee incentives and promotion of our corporate culture, which has enabled us to successfully increase the value of these hospitals. As a result of our integration efforts, the acquired hospitals achieved substantially improvements. Revenue generated from our acquired private for-profit hospitals increased with a CAGR of 30.4% from RMB252.5 million in 2017 to RMB429.6 million in 2019; while number of patient visits of these hospitals increased from 293,527 in 2017 to 419,130 in 2019, representing a CAGR of 19.5%.

We believe our successful track record is also attributable to our prudent and disciplined approach in selecting target markets for expansion and identifying promising hospital targets. In particular, we have strategically targeted certain Second-tier, Third-tier and Other Cities that have sizable population, relatively low level of radiotherapy penetration and favorable public medical insurance coverage. We also consider various other factors including existing patient base as well as access to qualified medical professionals in the target market. Leveraging our highly scalable business model, we believe that we will continue to replicate our success and capture the enormous growth opportunities in the underserved oncology healthcare service market in China.

Experienced and visionary management team with strong support from Shareholders

We believe that our success is in part attributable to our experienced management team. In particular, the chairman of the Board, Mr. Fang Min, has deep industry knowledge and insightful observations in the healthcare market in China with more than 15 years of experience in private equity investment and financial management. In addition, our chief executive officer, Ms. Cheng Huanhuan, and our director of research & development and manufacturing, Mr. Zhang Wenshan, have been with us for more than 10 years since we started our business in 2009. Please see "Directors and Senior Management – Directors – Executive Directors" for their biographies. Our senior management team possesses nearly 15 years of industry-related or professional management experience on average. We believe that the experience and expertise of our management team will continue to drive our future growth.

Our Shareholders include prominent investors such as Warburg Pincus LLC, Boyu, CITIC Capital and WuXi AppTec. In addition to financial support, we draw on their extensive experience in the healthcare industry to help formulate and govern our acquisition and growth strategies.

OUR STRATEGIES

We plan to implement the following strategies:

Expand our network of oncology-focused hospitals and radiotherapy centers

Leveraging our successful track record and highly scalable business model, we intend to continuously expand our hospital network. We plan to build a three-tier hospital network by:

- continuing to target Third-tier and Other Cities with sizable population. Our initial focus will be cities located in eastern and central China and in Provinces where we have existing presence and established brand influence and thereby are familiar with the local competitive landscape and business environment;

- establishing hospitals in provincial capitals and other Second-Tier Cities in Provinces where we have existing presence, such as Shandong Province. We intend for such hospitals to serve as regional hubs in our network; and

- establishing flagship hospitals in select First-Tier Cities, offering academic medical support to treat difficult and complex medical conditions and to support the training of our medical professionals.

When appropriate opportunities arise, we will also consider acquiring hospitals in new markets which has sizable population and relatively high level of demand for oncology healthcare services. We plan to strengthen their oncology specialties after acquisition.

In addition, we plan to explore cooperation opportunities to provide Radiotherapy Center Services in selected new markets, which we believe will serve as a platform for us to further expand our footprint across China, enhance our brand awareness and strengthen our leading position in the oncology healthcare service market in China. Furthermore, we are also seeking opportunities to expand our presence into overseas markets.

Upgrade our existing in-network hospitals to increase our service capacity and widen our service offering

We plan to selectively upgrade our in-network hospitals to expand our service capacity. In particular, we plan to open the second phases of Shanxian Hygeia Hospital, Chengwu Hygeia Hospital and Chongqing Hygeia Hospital in 2021, 2021 and 2022, respectively. Please see "– Our Future Expansion" for more details about our upgrade projects.

We also intend to invest in new technologies and widen our service offerings. For example, we plan to utilize advanced cancer screening, diagnosis and treatment equipment (such as PET/CT and PET/MR) and technologies (such as proton and heavy ion radiotherapy).

In addition to cancer screening, diagnosis and treatment, we intend to address the full cycle of care for oncology patients by providing post-treatment rehabilitation services and offering hospice care to end-of-life patients.

Continue to improve the quality of healthcare services provided by our in-network hospitals and further enhance our brand awareness

We intend to not only pursue the expansion and scaling up of our hospital network, but also continuously focusing on improving the quality of our healthcare services and patient satisfaction, which we believe will further enhance our brand awareness. In particular, we are committed to improving our medical capabilities to treat a wide range of medical conditions that require multi-disciplinary collaboration. For example, we intend to increase communication and collaboration among our oncologists and other specialists. We also plan to continue to attract and retain additional highly qualified physicians and medical professionals. In addition, we plan to develop an AI-based web platform that, with the support of our high-caliber team of medical professionals, will apply machine learning to the large amount of medical data we have accumulated and facilitate remote consultation and diagnosis, which we believe will increase the convenience and responsiveness of our services and enable us to effectively expand our patient reach in a cost-efficient manner. We also plan to increase our communication and collaboration with well-respected medical institutions in China and overseas markets.

Further centralize key functionalities and streamline our operations

We plan to further centralize functionalities at the headquarters level and streamline the operations of our in-network hospitals:

- ***Front-end functionalities of in-network hospitals***: We intend to enhance Group-level experience-sharing and training programs and further centralize the management of clinical departments and medical technical departments across our in-network hospitals in terms of service offering and cost structure; and

- ***Back-end functionalities of in-network hospitals***: We plan to further optimize the centralized procurement of pharmaceuticals and medical consumables. In addition, we also intend to strengthen our information technology infrastructure by establishing an integrated platform consolidating the hospital information system network of our in-network hospitals, allowing real-time data sharing at the headquarters level and facilitating more informed decision making by our central management.

We believe these initiatives will help us further improve operational efficiency, lower operating costs and minimize operational risks of our in-network hospitals.

In addition, we plan to reinforce our vertically integrated radiotherapy service model through upgrading and optimizing our proprietary SRT equipment and enhancing our relationships with participants upstream and downstream across the industry chain. In particular, we are currently collaborating with an external research partner to upgrade our proprietary SRT equipment, which will enable accurate real-time positioning throughout the treatment process. Please see "– Our Proprietary SRT Equipment" for more details.

OUR BUSINESS MODEL

During the Track Record Period, we generated our revenue primarily from (i) operating private for-profit hospitals we owned and providing 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 held organizer's interest.

The following table sets forth our revenue by service offerings for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Hospital business	460,303	77.2	630,872	82.3	944,727	87.0
Third-party radiotherapy business	135,105	22.6	128,922	16.9	134,860	12.4
Hospital management business	1,072	0.2	6,348	0.8	6,239	0.6
Total	596,480	100.0	766,142	100.0	1,085,826	100.0

Hospital Business

With a strategic focus on oncology, we generate revenue from provision of healthcare services in a wide range of specialties, including oncology, orthopedics, traditional Chinese medicine, urology, gynecology, rehabilitation, renal hemodialysis and emergency care, to our patients through our self-owned private for-profit hospitals. In terms of treatment process, we generate revenue primarily from inpatient healthcare services and outpatient healthcare services. Inpatient healthcare services refer to the treatment of patients who are hospitalized overnight or for an indeterminate period of time, usually several days or weeks, subject to the patients' conditions and recovery. Outpatient healthcare services refer to the treatment of patients who are hospitalized for less than 24 hours. Please see "– Our Hospital Business" for more details.

Third-Party Radiotherapy Business

We provide services to certain hospital partners, primarily private hospitals, in connection with their radiotherapy centers. Pursuant to the cooperation agreements we entered into with our hospital partners, our Radiotherapy Center Services primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of our proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment. In return, we are generally entitled to a percentage of revenue generated directly from use of our proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant cooperation agreements. Please see "– Our Oncology-Related Service Offerings – Our Third-Party Radiotherapy Business" for more details.

During the Track Record Period, we also licensed our proprietary SRT equipment to certain other customers, primarily Gamma Star Industrial, and provide maintenance and technical support services to such other licensees of our proprietary SRT equipment, in exchange for a monthly fixed service fee.

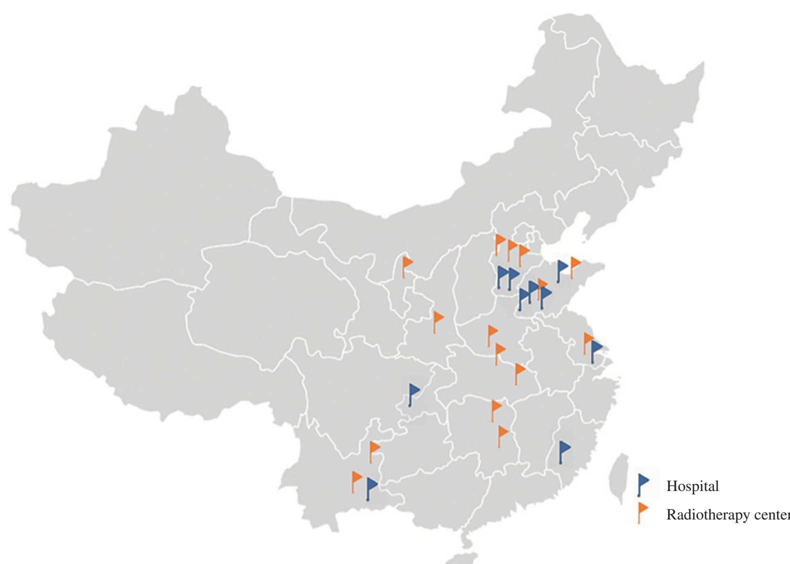
To a much lesser extent, during the Track Record Period, we derived revenue from sales of our proprietary SRT equipment to certain Independent Third Party customers and providing maintenance and technical support services to certain other customers in exchange for a fixed service fee.

Hospital Management Business

We manage and operate, and receive management fees from, private not-for-profit hospitals in which we hold organizer's interest. Pursuant to the hospital management agreements, we are entitled to receive management fees calculated as a fixed percentage of the revenue of the Managed Hospitals for a period of 40 years. Please see "– Our Hospital Management Business" for more details.

OUR NETWORK OF HOSPITALS AND RADIOTHERAPY CENTERS

We (i) own and operate seven private for-profit hospitals; (ii) manage three private not-for-profit hospitals; and (iii) provide services to 15 hospital partners in connection with their radiotherapy centers. Set out below is an illustration of the locations of our existing in-network hospitals and radiotherapy centers:



Our Hospital Network

The following table sets forth a summary of our in-network hospitals as of December 31, 2019:

	Hospital[1]	Location	GFA	Nature	Established/ acquired	Date of acquisition	Date of commencement of operations[2]	Number of physicians[3]	Number of other medical professionals[4]	Registered beds
			(sq.m.)							
Self-owned										
1.	Longyan Boai Hospital	Longyan, Fujian	24,047.85	Private for-profit Class IIB general hospital	Acquired	September 2015	N/A	137	240	390
2.	Suzhou Canglang Hospital	Suzhou, Jiangsu	14,975.45	Private for-profit Class IIB general hospital	Acquired	November 2015	N/A	171	183	291
3.	Shanxian Hygeia Hospital	Heze, Shandong	72,024.23	Private for-profit Class II general hospital[5]	Established	N/A	May 2016	166	404	400
4.	Anqiu Hygeia Hospital	Anqiu, Shandong	6,897.75	Private for-profit Class I general hospital[5]	Acquired	December 2016	July 2018	8	17	99
5.	Chengwu Hygeia Hospital	Heze, Shandong	7,149.55	Private for-profit Class II general hospital[5]	Acquired	January 2017	N/A	43	94	120

	Hospital[1]	Location	GFA	Nature	Established/ acquired	Date of acquisition	Date of commencement of operations[2]	Number of physicians[3]	Number of other medical professionals[4]	Registered beds
			(sq.m.)							
6.	Chongqing Hygeia Hospital	Shapingba District, Chongqing	28,219.88	Private for-profit Class II oncology specialty hospital[5]	Established	N/A	April 2018	88	191	200
7.	Heze Hygeia Hospital	Heze, Shandong	52,171.86	Private for-profit Class II general hospital[5]	Established	N/A	December 2018	83	142	260
Managed										
8.	Handan Renhe Hospital	Handan, Hebei	11,564.19	Private not-for-profit general hospital[6]	Acquired	July 2011	June 2012	43	46	90
9.	Kaiyuan Jiehua Hospital	Kaiyuan, Yunnan	15,249.00	Private not-for-profit Class II general hospital[5]	Acquired	November 2012	N/A	22	79	186
10.	Handan Zhaotian Hospital	Handan, Hebei	7,124.95	Private not-for-profit orthopedics specialty hospital[6]	Acquired	August 2015	August 2016[7]	N/A[7]	N/A[7]	N/A[7]
Total			239,424.71					761	1,396	2,036

Notes:

(1) In addition to the 10 in-network hospitals set forth in the table above, we also operated one self-owned hospital during the Track Record Period, namely, Qufu Hospital. As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

(2) For our self-established hospitals, date of commencement of operations refers to the date when the hospital opened for service. With respect to Anqiu Hygeia Hospital, Handan Renhe Hospital and Handan Zhaotian Hospital, which were abandoned and not in operation immediately prior to our acquisition, date of commencement of operations refers to the date when the hospital resumed operations as a result of our integration efforts. With respect to the remaining hospitals acquired by us, their operations were not interrupted immediately before and after our acquisition and thus the date of commencement of operations is considered not applicable.

(3) Number of physicians includes both full-time physicians and part-time physicians.

(4) Number of other medical professionals includes primarily physician assistants, nurses, pharmacists, radiographers and laboratory technicians.

(5) Sub-classification is not compulsory to such in-network hospitals.

(6) Specific classifications were not assigned to such in-network hospitals by the competent local healthcare administrative authorities.

(7) Handan Zhaotian Hospital commenced renovation in December 2018 and is currently not in operation. It is expected to resume its operations by the end of 2020. Handan Zhaotian Hospital was originally designed as an orthopedics specialty hospital upon its establishment. In line with its long-term strategy to transform into an oncology-focused hospital, Handan Zhaotian Hospital decided to invest to improve its infrastructure and gradually procure certain large-scale radiotherapy and other medical equipment within a few years after it resumes operations. We expect Handan Zhaotian Hospital to incur capital expenditures of approximately RMB0.7 million for the renovation and approximately RMB19.3 million for the procurement of medical equipment, which will be funded by its own financial resources.

Our Network of Radiotherapy Centers

The following table sets forth a summary of our existing in-network radiotherapy centers:

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

Notes:

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

(2) We are currently in the process of renewing the cooperation agreement with the owner of Hunan Radiotherapy Center, which agreed in writing on February 24, 2020 that both parties would continue to perform pursuant to the original cooperation agreement until the completion of such renewal.

(3) Prior to the disposal of our entire equity interest in Gamma Star Industrial to an Independent Third Party on October 16, 2018, we provided Radiotherapy Center Services to the owners of Zhuzhou Radiotherapy Center and Shijiazhuang Radiotherapy Center through Gamma Star Industrial. In November 2018, Gamma Star Industrial assigned its rights and obligations arising under the cooperation agreements with such owners to us.

In addition to our in-network radiotherapy centers above, as of the Latest Practicable Date, we had entered into cooperation agreements with 23 additional hospital partners in connection with their radiotherapy centers, which were located in 13 Provinces, including Shandong, Anhui, Jiangsu, Jiangxi, Hunan, Ningxia, Hebei, Henan, Tibet, Guizhou, Liaoning, Guangdong and Sichuan. We expect these 23 additional radiotherapy centers to commence operations within a few years.

OUR ONCOLOGY-RELATED SERVICE OFFERINGS

We have strategically focused on oncology and our oncology-related services comprise (i) provision of oncology healthcare services in our self-owned hospitals, consisting of radiotherapy treatment services and other oncology healthcare services[2], and (ii) services under our third-party radiotherapy business, namely, provision of radiotherapy center consulting services, licensing of our proprietary SRT equipment, provision of maintenance and technical support services in relation to our proprietary SRT equipment, and sales of our proprietary SRT equipment. The following table sets forth a breakdown of revenue generated from our oncology-related services and non-oncology related services for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Oncology-related services						
Radiotherapy-related services						
Radiotherapy treatment services provided by self-owned hospitals	18,424	3.1	46,773	6.0	100,731	9.3
Third-party radiotherapy business	135,105	22.6	128,922	16.9	134,860	12.4
	153,529	25.7	175,695	22.9	235,591	21.7
Other oncology healthcare services	107,126	18.0	160,218	20.9	265,320	24.4
Subtotal	260,655	43.7	335,913	43.8	500,911	46.1
Non-oncology related services	335,825	56.3	430,229	56.2	584,915	53.9
Total revenue	596,480	100.0	766,142	100.0	1,085,826	100.0

2 For the purpose of calculation of revenue generated from oncology-related services, oncology healthcare services comprise (i) oncology diagnosis services provided by the oncology departments of our self-owned hospitals; (ii) oncology treatment services provided to diagnosed oncology patients; and (iii) ancillary healthcare services provided to diagnosed oncology patients in connection with treatment of their oncology diseases, such as inpatient accommodation fees and nursing fees.

Our Oncology Healthcare Services and Oncology Service Equipment

Our oncology healthcare services comprise cancer screening, diagnosis and treatment. We utilize immunoassay-based blood tests to measure CEA and other tumor markers to facilitate early detection of cancer before symptoms appear. We also rely on a wide range of imaging techniques, including CT, MRI, ultrasound, X-ray and fluoroscopy, as well as endoscopy and pathological examination to screen and diagnose oncology diseases. In addition, we cooperate with Independent Third Parties to provide genetic testing for patients to screen and diagnose oncology diseases that are associated with hereditary or acquired genetic defects through blood tests. Once diagnosed, we provide our oncology patients with a variety of treatment options, including primarily radiotherapy, surgery, chemotherapy, interventional radiology, targeted therapy, immunotherapy or a combination of these, depending on their medical history and medical condition.

Radiotherapy, which uses high energy to kill malignant cancer cells or other benign tumor cells, is one of the most common oncology treatment options. According to Frost & Sullivan, approximately 70% of the oncology patients need radiotherapy treatment at different stages of disease development. In particular, radiotherapy is considered the primary treatment option for a wide variety of localized tumors, such as nasopharynx cancer and lymphoma. Radiotherapy is also widely used as adjuvant and neo-adjuvant treatment before and/or after surgery or chemotherapy and has been proven to be effective in the local control of tumors, resulting in better five-year survival rate, according to Frost & Sullivan. Moreover, radiotherapy can offer palliative care and relieve cancer symptoms where a cure is not a viable goal. In addition to malignant tumors, radiotherapy can be used to treat benign tumors as well as certain cerebrovascular, neurological and psychiatric disorders. Please see "Industry Overview – Overview of Oncology Healthcare Services" for more details about other oncology treatment methods.

We are equipped with leading oncology diagnosis and laboratory equipment such as automatic biochemical analyzers, MRI scanners, multi-slice spiral CT scanners, color Doppler ultrasound systems, digital subtraction angiography systems, direct digital radiograph systems, mammography systems and high-definition laparoscopes. Major radiotherapy equipment of our self-owned hospitals include our proprietary SRT equipment, linear accelerator and brachytherapy afterloader. Please see "– Our Proprietary SRT Equipment" for details about our proprietary SRT equipment. Linear accelerator is a commonly used external beam radiotherapy equipment which uses microwave technology to deliver a high-energy X-ray beam directed at the tumor. Brachytherapy afterloader is an internal beam radiotherapy equipment which places radioactive sources inside the patient through needles or catheters for a specific amount of time. In addition to radiotherapy equipment, our self-owned hospitals are equipped with advanced oncology treatment equipment including hyperthermic intraperitoneal chemotherapy equipment, hyperthermia therapy equipment and millimeter-wave therapy equipment.

We own all the major oncology service equipment in our self-owned hospitals. We produce our proprietary SRT equipment ourselves and we purchase all the other oncology service equipment from qualified third-party suppliers. Such other oncology service equipment are developed by reputable manufacturers in China or overseas. Periodic maintenance for our proprietary SRT equipment is carried out by our internal production team to ensure their performance at the optimal level. For other oncology service equipment, the respective manufacturers usually provide a warranty period and maintenance and technical support services throughout the lives of such equipment.

Our Third-Party Radiotherapy Business

Under our third-party radiotherapy business, we are primarily engaged in provision of Radiotherapy Center Services to certain hospital partners, primarily private hospitals, in connection with their radiotherapy centers. Please see "– Our Network of Hospitals and Radiotherapy Centers – Our Network of Radiotherapy Centers" for details about our in-network radiotherapy centers.

Pursuant to the cooperation agreements we entered into with our hospital partners, our services primarily comprise (i) provision of radiotherapy center consulting services, including advising on the design of construction and renovation of radiotherapy center infrastructure, training of medical professionals and other relevant staff on the operation of our proprietary SRT equipment, and clinical experience sharing and consultation; (ii) licensing of our proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment. We assign designated personnel on-site, when necessary, for installation and maintenance of our proprietary SRT equipment and training of medical professionals and other relevant staff on the operation of the equipment. The hospital partner is generally responsible for applying for the requisite licenses and permits, establishment of the infrastructure and recruitment of medical professionals required for the operations of the radiotherapy center as well as handling medical disputes. The ownership of our proprietary SRT equipment remains with us until expiry of the term of the cooperation, when the ownership of such equipment will generally be transferred to the hospital partners at a nominal consideration or for free.

While normally not specified in the cooperation agreements, we engage Independent Third Party service providers to promote our in-network radiotherapy centers at our cost. Please see "– Sales and Marketing" for more details about these service providers.

In formulating our service fees, we generally take into consideration of various factors including (i) the value of our proprietary SRT equipment; (ii) the frequency of use of our proprietary SRT equipment, including the number of sessions for a typical course of treatment using our 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. We charge our 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 our proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant cooperation agreements. Such expenses and costs include, among others, those arising from, or incurred in connection with handling medical disputes and maintenance of our proprietary SRT equipment. The hospital partners are generally required to pay us within 10 days after the end of each month. Without our consent, the hospital partners shall not cooperate with any third party to engage in radiotherapy related business. Generally, the cooperation agreements may be terminated (i) in the event of a force majeure, (ii) by the non-defaulting party in the event of a material breach, (iii) in the event of continuous loss-making financial performance or other matters rendering the radiotherapy centers unable to continue to operate; or (iv) in the event of a government policy change which makes it unlawful for the radiotherapy centers to continue to operate. Our PRC Legal Advisors have advised us that our Cooperation Agreements are legally binding and do not violate any PRC laws and regulations.

For the years ended December 31, 2017, 2018 and 2019, revenue generated from our Radiotherapy Center Services amounted to RMB69.3 million, RMB77.8 million and RMB81.9 million, respectively, representing 11.6%, 10.2% and 7.5%, respectively, of our total revenue for the same periods.

During the Track Record Period, we also licensed our proprietary SRT equipment to certain other customers, primarily Gamma Star Industrial, and provide maintenance and technical support services to such other licensees of our proprietary SRT equipment, in exchange for a monthly fixed service fee. For the years ended December 31, 2017, 2018 and 2019, revenue generated from licensing of our proprietary SRT equipment and provision of maintenance and technical support services to these other licensees amounted to RMB42.3 million, RMB42.2 million and RMB37.8 million, respectively, representing 7.1%, 5.5% and 3.5%, respectively, of our total revenue for the same periods.

To a much lesser extent, during the Track Record Period, we derived revenue from sales of our proprietary SRT equipment to certain Independent Third Party customers and providing maintenance and technical support services to certain other customers in exchange for a fixed service fee. For the years ended December 31, 2017, 2018 and 2019, revenue generated from sales of our proprietary SRT equipment and provision of maintenance and technical support services to these customers amounted to RMB23.5 million, RMB8.9 million and RMB15.2 million, respectively, representing 3.9%, 1.2% and 1.4%, respectively, of our total revenue for the same periods.

OUR HOSPITAL BUSINESS

We generate revenue from provision of outpatient and inpatient healthcare services to our patients through our self-owned private for-profit hospitals. The following table sets forth a breakdown of revenue generated from provision of outpatient and inpatient healthcare services for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Outpatient healthcare services	146,338	31.8	191,150	30.3	264,834	28.0
Inpatient healthcare services	313,965	68.2	439,722	69.7	679,893	72.0
Total revenue generated from our hospital business	460,303	100.0	630,872	100.0	944,727	100.0

The following table sets forth certain key operational and financial information of our self-owned hospitals for the periods indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
Shanxian Hygeia Hospital			
Outpatient visits (thousands)	346.6	335.3	377.2
Inpatient visits (thousands)	22.0	20.5	22.8
Average spending per outpatient visit (RMB)	151.8	184.7	210.3
Average spending per inpatient visit (RMB)	7,050.4	9,037.5	8,954.6
Number of registered beds at the end of each year	200	300	400
Occupancy rate of registered beds(1)	245.6%(2)	207.8%(2)	206.1%(2)
Our revenue derived from Shanxian Hygeia Hospital (RMB'000)	207,781.5	247,203.5	283,336.9
Suzhou Canglang Hospital			
Outpatient visits (thousands)	128.8	153.1	173.4
Inpatient visits (thousands)	6.1	7.8	10.5
Average spending per outpatient visit (RMB)	395.0	436.1	491.9
Average spending per inpatient visit (RMB)	11,020.6	12,229.9	13,737.0
Number of registered beds at the end of each year	191	231	291
Occupancy rate of registered beds(1)	98.9%	94.7%	89.9%
Our revenue derived from Suzhou Canglang Hospital (RMB'000)	117,937.4	162,420.2	229,850.2

	Year ended December 31,		
	2017	2018	2019
Longyan Boai Hospital			
Outpatient visits (thousands)	112.3	135.8	160.5
Inpatient visits (thousands)	7.7	8.0	9.4
Average spending per outpatient visit (RMB)	335.1	350.1	347.7
Average spending per inpatient visit (RMB)	10,205.3	12,627.5	11,687.3
Number of registered beds at the end of each year	390	390	390
Occupancy rate of registered beds(1)	82.3%	94.1%	100.6%(2)
Our revenue derived from Longyan Boai Hospital (RMB'000)	116,141.1	148,244.0	165,543.1
Chongqing Hygeia Hospital			
Outpatient visits (thousands)	–	10.4	29.4
Inpatient visits (thousands)	–	1.7	7.7
Average spending per outpatient visit (RMB)	–	492.5	746.5
Average spending per inpatient visit (RMB)	–	25,175.6	19,200.6
Number of registered beds at the end of each year	–	200	200
Occupancy rate of registered beds(1)	–	50.4%	123.9%(2)
Our revenue derived from Chongqing Hygeia Hospital (RMB'000)	–	48,872.4	170,317.0
Chengwu Hygeia Hospital			
Outpatient visits (thousands)	30.7	42.6	58.8
Inpatient visits (thousands)	2.1	2.8	3.8
Average spending per outpatient visit (RMB)	153.1	168.7	197.3
Average spending per inpatient visit (RMB)	3,256.8	3,992.6	4,989.9
Number of registered beds at the end of each year	99	120	120
Occupancy rate of registered beds(1)	48.9%	34.2%	68.8%
Our revenue derived from Chengwu Hygeia Hospital (RMB'000)	11,670.1	18,331.7	30,445.3
Qufu Hospital(3)			
Outpatient visits (thousands)	3.7	8.1	–
Inpatient visits (thousands)	2.1	1.1	–
Average spending per outpatient visit (RMB)	146.5	285.3	–
Average spending per inpatient visit (RMB)	2,905.7	2,083.8	–
Number of registered beds at the end of each year	75	75	–
Occupancy rate of registered beds(1)	67.8%	47.1%	–
Our revenue derived from Qufu Hospital (RMB'000)	6,773.2	4,590.4	–

	Year ended December 31,		
	2017	**2018**	**2019**
Heze Hygeia Hospital			
Outpatient visits (thousands)	–	1.6	44.8
Inpatient visits (thousands)	–	0.1	4.5
Average spending per outpatient visit (RMB)	–	88.7	236.7
Average spending per inpatient visit (RMB)	–	7,652.9	11,284.6
Number of registered beds at the end of each year	–	260	260
Occupancy rate of registered beds(1)	–	1.6%	72.7%
Our revenue derived from Heze Hygeia Hospital (RMB'000)	–	872.9	61,506.3
Anqiu Hygeia Hospital			
Outpatient visits (thousands)	–	2.3	2.3
Inpatient visits (thousands)	–	<0.1	0.5
Average spending per outpatient visit (RMB)	–	80.3	120.6
Average spending per inpatient visit (RMB)	–	10,283.0	7,127.7
Number of registered beds at the end of each year	–	99	99
Occupancy rate of registered beds(1)	–	1.9%	17.9%
Our revenue derived from Anqiu Hygeia Hospital (RMB'000)	–	336.8	3,728.6

Notes:

(1) Calculated as the inpatient bed-days, being the actual number of beds occupied by our inpatients on each day aggregated over the course of the relevant period, divided by the total number of registered beds on each day aggregated over the course of such period, multiplied by 100%.

(2) Occupancy rate of registered beds exceeded 100% due to the addition of temporary beds to satisfy demand, which we believe was in line with our social responsibilities. We have consulted with the competent local healthcare administrative authorities as advised by our PRC Legal Advisors and the competent authorities have advised us that (i) the relevant PRC laws and regulations do not explicitly state that beds in operation exceeding registered beds constitutes a violation of the PRC law; (ii) we were never imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on us; and (iii) we are allowed to continue to operate in such manner.

(3) As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018, and therefore, for the year ended December 31, 2018, we only consolidated revenue from Qufu Hospital prior to October 1, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

For the reasons of material fluctuations in average spending per patient visit of our self-owned hospitals, please see "Financial Information – Description of Key Consolidated Statement of Comprehensive Income Items – Revenue" for more details.

Summary Information of Our Self-Owned Hospitals

Shanxian Hygeia Hospital

We established Shanxian Hygeia Hospital in November 2012 as the starting point of our hospital business. Shanxian Hygeia Hospital commenced operations in May 2016. As of December 31, 2019, Shanxian Hygeia Hospital had 19 clinical departments and was equipped with advanced oncology diagnosis and treatment equipment such as Philips EPIQ7C and EPIQ5 color Doppler ultrasound systems, both of which are the most advanced ultrasound systems in the world, 64-detector-row CT scanner, Olympus CV-290 gastroscope, our proprietary SRT equipment, linear accelerator and Storz TC200EN high-definition laparoscope.

Shanxian Hygeia Hospital has gained widespread recognition for its research and publications. The following table sets forth the major publications of Shanxian Hygeia Hospital in recent years:

Year	Publications	Journal
2019	Comparison of Clinical Efficacy of Laparoscopic and Open Surgery in the Treatment of Early Cervical Cancer (比較腹腔鏡與開腹手術治療早期宮頸癌患者的臨床療效)	China Practical Medicine (中國實用醫藥)
2018	Diagnostic Analysis of Nuclear Magnetic Resonance in Patients with Cirrhosis Regenerative Nodule (肝硬化再生結節患者的核磁共振診斷分析)	Journal of Medicine & Health (醫藥衛生)
2018	Effect of Preoperative Neoadjuvant Chemotherapy on Perioperative Indexes and Efficacy of Non-small Cell Lung Cancer (術前新輔助化療對非小細胞肺癌圍手術期相關指標及療效的影響)	Journal of Chinese Physician (中國醫師雜誌)
2018	Co-expression of CD24 and CD44 in Gastric Carcinoma and its Influence on Clinicopathological Parameters and Prognosis (腫瘤幹細胞標誌物CD24、CD44在胃癌組織中的共表達及對患者臨床病理參數、預後的影響)	Chinese Journal of Tissue Engineering Research (中國組織工程研究)
2018	Application Value of CT Imaging Diagnosis in Preoperative Staging of Rectal Cancer (CT影像診斷在直腸癌臨床術前分期中的應用價值)	Journal of Imaging Research and Medical Applications (影像研究與醫學應用)

Suzhou Canglang Hospital

We acquired Suzhou Canglang Hospital in November 2015. As of December 31, 2019, Suzhou Canglang Hospital had 19 clinical departments and was equipped with advanced oncology diagnosis and treatment equipment such as 16-detector-row CT scanner and high-definition laparoscope.

Longyan Boai Hospital

We acquired 70% of the equity interest in Longyan Boai Hospital in September 2015 and acquired the remaining 30% interest in November 2015. As of December 31, 2019, Longyan Boai Hospital had 18 clinical departments and was equipped with advanced oncology diagnosis and treatment equipment such as 16-detector-row CT scanner, Erbe VIO 200 S + APC 2 argon knife, Johnson & Johnson ETHICON Gen 11 Endo-Surgery Generator and our proprietary SRT equipment.

Chongqing Hygeia Hospital

Chongqing Hygeia Hospital was established by us in November 2015 and commenced operations in April 2018. As of December 31, 2019, Chongqing Hygeia Hospital had 17 clinical departments and was equipped with hundred-level laminar flow operating rooms and multiple advanced oncology diagnosis and treatment equipment such as GE Optima CT670 64-detector-row and 128-slice spiral CT scanner, Soredex Cranex 3D PP3 oral cavity maxillofacial cone beam computed tomography image system, digital subtraction angiography system, Draeger Fabius Plus anesthesia machine, ChestAC-8900D pulmonary function testing system, WOLF 30° high-definition laparoscope system, Siemens Biograph mCT PET/CT system, our proprietary SRT equipment and Elekta Synergy VMAT linear accelerators. Chongqing Hygeia Hospital has been a teaching hospital of Chongqing University since 2019.

Chengwu Hygeia Hospital

We acquired 80% of the equity interest in Chengwu Hygeia Hospital in January 2017 and acquired the remaining 20% interest during our Reorganization. As of December 31, 2019, Chengwu Hygeia Hospital had 14 clinical departments and was equipped with advanced oncology diagnosis and treatment equipment such as 16-detector-row CT scanner and our proprietary SRT equipment.

Heze Hygeia Hospital

Heze Hygeia Hospital was established by us in January 2013 and commenced operations in December 2018. As of December 31, 2019, Heze Hygeia Hospital had 18 clinical departments and was equipped with advanced oncology diagnosis and treatment equipment such as GE Optima CT670 CT scanner, GE SIGNA Creator MRI, GE IGS 330 digital subtraction angiography, GE LOGIQ E9 color ultrasound system, Philips Affiniti 50 color ultrasound system and our proprietary SRT equipment.

Anqiu Hygeia Hospital

Anqiu Hygeia Hospital was acquired by us in December 2016 and commenced operations in July 2018. As of December 31, 2019, Anqiu Hygeia Hospital had 12 clinical departments and was equipped with advanced oncology diagnosis and treatment equipment such as United Imaging uCT510 CT scanner and our proprietary SRT equipment.

OUR HOSPITAL MANAGEMENT BUSINESS

We manage and operate, and receive management fees from, our Managed Hospitals. We have entered into a hospital management agreement with each of our Managed Hospitals, with expiration dates ranging from July 2051 to April 2055, subject to negotiation for renewal during the three months prior to expiry. Pursuant to our hospital management agreements, we are responsible for supervision and management of the hospitals' daily operations, including, among others, advising on establishment and implementation of management system, supervising and advising on procurement of pharmaceuticals, medical consumables and medical equipment, introducing medical professionals and medical equipment, staff training, renovation of hospital infrastructure, improvement of information technology infrastructure, and building specialty departments.

During the Track Record Period, revenue generated from our hospital management business accounted for less than 1% of our total revenue. Therefore, any downward adjustments to the management fee rates, described below, will not have a material adverse effect on our business, financial conditions or results of operations.

We are entitled to receive management fees calculated as a fixed percentage of the revenue of the Managed Hospitals. The management fee rates are determined based on arm's length negotiations between the Managed Hospitals and us after taking into consideration of the scope of services provided by us to the Managed Hospitals, with reference to common market practice in the PRC healthcare service industry. In particular, according to Frost & Sullivan, management fee rate charged in the PRC healthcare service industry generally ranges from 5% to 15%. The table below sets forth the management fee rates charged by us during the Track Record Period:

	Year Ended December 31, 2017	**Since January 1, 2018**
Kaiyuan Jiehua Hospital	3% of revenue (excluding revenue generated by its radiotherapy center)	10% of revenue (including revenue generated by its radiotherapy center)
Handan Renhe Hospital	3% of revenue (excluding revenue generated by its radiotherapy center)	10% of revenue (including revenue generated by its radiotherapy center)
Handan Zhaotian Hospital	Management fees waived	10% of revenue (including revenue generated by its radiotherapy center)

The management fee rates charged by us will in principle be 10%, subject to an annual adjustment mechanism described below, which has been agreed between the Managed Hospitals and us. Over the term of our hospital management agreements, we will not propose to adjust upward the management fee rates, even if the Kaiyuan Jiehua Hospital and Handan Renhe Hospital have achieved persistent growth in revenue and excess of revenue over expenditure. On the contrary, over the terms of our hospital management agreements, at the end of each financial year, our Managed Hospitals are entitled to (i) request for a waiver of management fee or (ii) propose a reduced management fee rate if they (A) record deficit of revenue over expenditure for the year or (B) incur major capital expenditures due to renovation, refurbishment or procurement of medical equipment or experience a major loss from disaster, policy adjustment or force majeure events. Upon receipt of their request or proposal, we will evaluate on a case by case basis, and consent to the waiver or reduced fee rate they proposed if we consider such adjustments are necessary for the sustainable development of the relevant Managed Hospitals.

In particular, in 2017, we waived Handan Zhaotian Hospital's management fees as it was at the initial stage of operations in 2017 with a small revenue base and high operating costs. We charged Handan Renhe Hospital and Kaiyuan Jiehua Hospital reduced management fee rates in 2017 as they incurred significant capital expenditures for renovation and procurement of medical equipment in 2017. Since January 1, 2018, we have charged management fee rates in line with the industry level, and no downward adjustments have been proposed by our Managed Hospitals thereafter. Although Handan Zhaotian Hospital recorded a deficit of revenue over expenditures in 2018, we did not adjust downward the management fee rate for that year considering: (i) the fund advances from us remained outstanding; and (ii) Handan Zhaotian Hospital had not requested for waiver or any reduction of management fee.

The Managed Hospitals are required to pay the management fees within 10 days after the end of each month. Pursuant to our hospital management agreements, our Managed Hospitals shall not, in any manner, engage any third party to provide hospital management services or establish any similar arrangement with any third party. Without our prior consent, each of our Managed Hospitals and its respective employees are not allowed to, directly or indirectly, engage in any activity which would result in competition with the business of such hospital. Our Managed Hospitals need to seek our prior approval before effecting any investment, financing, borrowing or lending transaction or implementing any expansion plan. In addition, without our written consent, our Managed Hospitals shall not, in any manner, lease, transfer, dispose of, pledge, mortgage or create an encumbrance over any asset owned, occupied, used or otherwise controlled by the Managed Hospitals. In the absence of any material breach by us of the management agreements or our gross negligence or willful misconduct, we will not be responsible for any debts, liabilities or obligations of the Managed Hospitals, or any third party claims against the Managed Hospitals and their respective directors, officers and employees. The hospital management agreements may be terminated upon mutual consent or by one party giving 30 days' prior written notice in the event of a material adverse event of the other party. In addition, we may unilaterally terminate the hospital management agreements and seek damages from our Managed Hospitals in the event of (i) revocation of requisite licenses for the operations of the Managed Hospitals, or (ii) a material breach by the Managed Hospitals.

We hold 70% organizer's interest in each of our Managed Hospitals, with the remaining 30% held by Xiangshang Investment, which is owned by our Controlling Shareholders. However, we do not consolidate the financial results of our Managed Hospitals and none of our Managed Hospitals is part of our Group. This is because:

- The articles of association of each of our Managed Hospitals provide for an executive committee (理事會) as its highest decision-making authority for material business matters. Please see "– Management and Operation of Our In-Network Hospitals" for more details. During the Track Record Period, the executive committee of each of our Managed Hospitals consisted of three to five members, one of whom was appointed by us and the remaining two to four were elected by an employee committee (職工代表大會). Therefore, we did not have control over material business matters of our Managed Hospitals, as the employee representatives (as a group) had de facto veto rights in respect of these matters;

- Our Managed Hospitals are not-for-profit hospitals registered as "private non-enterprise entities" (民辦非企業單位) in China. Under relevant PRC laws and regulations, although we hold organizer's interest in our Managed Hospitals, we are not entitled to receive economic interests from our Managed Hospitals through dividends or other form of distribution, or to receive any residual assets upon liquidation of our Managed Hospitals. Our Managed Hospitals are only allowed to retain their earnings for their own continued development, and no part of their earnings constitutes "distributable profits" under relevant PRC laws and regulations. Please see "Regulatory Overview – Regulations on the Classification of Medical Institutions" for more details about organizer's interest; and

- The management fee rates and other material terms of our hospital management agreements, which were considered material business matters of the Managed Hospitals, were determined based on arm's length negotiations between such Managed Hospitals and us, and were subject to a simple majority approval by the executive committees of such Managed Hospitals. We cannot control the amount of management fees payable by the Managed Hospitals and the other material terms of our hospital management agreements.

As advised by our PRC Legal Advisors, each of our Managed Hospitals is registered as an independent legal person under the "Interim Regulations on the Management of Registration for Private Non-enterprise Entities" (《民辦非企業單位登記管理暫行條例》) and is therefore fully responsible for its own actions under applicable PRC laws and regulations, and because of this status, neither us nor our Directors are responsible for any liabilities, misconduct or regulatory breaches of our Managed Hospitals under applicable PRC laws and regulations merely because of our organizer's interest in such in-network hospitals, our nomination of members on their executive committees or our provision of management services to them (except to the extent that there is any material breach of the management agreements, gross negligence or willful misconduct by us). Currently we do not have the intention to transform our Managed Hospitals to private for-profit hospitals.

Our PRC Legal Advisors have advised us that our hospital management agreements are valid, legally binding and enforceable under the PRC laws and regulations, and payment of management fees by our Managed Hospitals to us pursuant to our hospital management agreements does not constitute distribution of dividends or distribution of other economic interests deemed as dividends under the PRC laws and regulation on the basis of the following:

(i) Under the relevant PRC laws and regulations, "distribution of dividends by private non-enterprise entities" refers to the distribution of an entity's excess of revenue over expenditure. However, management fees paid by our Managed Hospitals to us are calculated as a fixed percentage of their revenue, regardless of their excess of revenue over expenditure;

(ii) The PRC laws and regulations do not prohibit our Managed Hospitals, as private non-enterprise entities, from entering into hospital management agreements with, or paying management fees to, their organizers, nor do they place any limitations on the rate or amount of such management fees; and

(iii) The competent authorities of our Managed Hospitals have confirmed that the payment of management fees by our Managed Hospitals to us do not violate any PRC laws and regulations, or they do not raise any objection to the execution and performance of the hospital management agreements.

The following table sets forth certain key operational information of our Managed Hospitals for the periods indicated:

	Year ended December 31,		
	2017	2018	2019
Kaiyuan Jiehua Hospital			
Outpatient visits (thousands)	14.2	15.4	25.4
Inpatient visits (thousands)	3.6	5.0	5.5
Average spending per outpatient visit (RMB)	115.7	100.7	116.5
Average spending per inpatient visit (RMB)	11,505.2	6,705.3	7,247.8
Number of registered beds at the end of each year	186	186	186
Occupancy rate of registered beds(1)	263.3%(2)	342.8%(2)	458.5%(2)
Revenue of Kaiyuan Jiehua Hospital (RMB'000) (unaudited)	42,539.9	34,959.5	43,073.1
Excess of revenue over expenditure (RMB'000) (unaudited)	12,643.3	2,494.5	5,756.4
Our revenue derived from Kaiyuan Jiehua Hospital (RMB'000) (audited)(3)	852.5	4,315.0	4,247.9
Handan Renhe Hospital			
Outpatient visits (thousands)	6.5	7.4	9.1
Inpatient visits (thousands)	1.0	0.9	1.0
Average spending per outpatient visit (RMB)	827.7	810.6	717.0
Average spending per inpatient visit (RMB)	15,077.2	15,137.2	14,928.0
Number of registered beds at the end of each year	70	90	90
Occupancy rate of registered beds(1)	132.6%(2)	114.2%(2)	107.5%(2)
Revenue of Handan Renhe Hospital (RMB'000) (unaudited)	20,895.1	20,194.8	21,107.0
Excess of revenue over expenditure (RMB'000) (unaudited)	4,863.5	2,096.4	1,378.7
Our revenue derived from Handan Renhe Hospital (RMB'000) (audited)(3)	219.2	1,905.2	1,991.2
Handan Zhaotian Hospital			
Outpatient visits (thousands)	3.9	0.9	–
Inpatient visits (thousands)	0.2	0.1	–
Average spending per outpatient visit (RMB)	30.9	120.6	–
Average spending per inpatient visit (RMB)	5,616.5	11,590.1	–
Number of registered beds at the end of each year	99	60	–
Occupancy rate of registered beds(1)	6.9%	7.9%	–
Revenue of Handan Zhaotian Hospital (RMB'000) (unaudited)	1,092.4	1,360.0	–
Excess of revenue over expenditure (RMB'000) (unaudited)	(3,125.2)	(2,047.5)	–
Our revenue derived from Handan Zhaotian Hospital (RMB'000) (audited)(3)	–	128.3	–

Notes:

(1) Calculated as the inpatient bed-days, being the actual number of beds occupied by their inpatients on each day aggregated over the course of the relevant period, divided by the total number of registered beds on each day aggregated over the course of such period, multiplied by 100%.

(2) Occupancy rate of registered beds exceeded 100% due to the addition of temporary beds to satisfy demand, which we believe was in line with our Managed Hospitals' social responsibilities. We have consulted with the competent local healthcare administrative authorities as advised by our PRC Legal Advisors and the competent authorities have advised us that (i) the relevant PRC laws and regulations do not explicitly state that beds in operation exceeding registered beds constitutes a violation of the PRC law; (ii) the relevant Managed Hospitals were never imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on the relevant Managed Hospitals; and (iii) the relevant Managed Hospitals are allowed to continue to operate in such manner.

(3) Revenue we generated from our Managed Hospitals does not include revenue generated from provision of Radiotherapy Center Services to our Managed Hospitals. Please see "– Our Network of Hospitals and Radiotherapy Centers – Our Network of Radiotherapy Centers."

Kaiyuan Jiehua Hospital

Kaiyuan Jiehua Hospital's revenue

Despite the consistent increase in patient visits, revenue of Kaiyuan Jiehua Hospital fluctuated over the Track Record Period, which was primarily attributable to a change in local medical insurance reimbursement policy for psychiatric healthcare services in 2018. Such policy change resulted in a decrease in amount of medical fees that Kaiyuan Jiehua Hospital is allowed to recover from the local public medical insurance bureau per month in 2018, and consequently resulted in a decrease in its average spending per inpatient visit in the same year. The increase in revenue of Kaiyuan Jiehua Hospital in 2019 was resulted from the increase in both patient visits and average spending per visit, which was in line with the growth of its business.

Our revenue from Kaiyuan Jiehua Hospital

Our revenue from Kaiyuan Jiehua Hospital is affected by (a) Kaiyuan Jiehua Hospital's revenue, and (b) the rate of management fees we charged Kaiyuan Jiehua Hospital. Despite a decrease in Kaiyuan Jiehua Hospital's revenue from RMB42.5 million in 2017 to RMB35.0 million in 2018, our revenue from Kaiyuan Jiehua Hospital increased in 2018 because the management fee rate in 2017 was reduced to 3% at the request of Kaiyuan Jiehua Hospital, while we collected management fee at the standard rate of 10% in 2018. Though Kaiyuan Jiehua Hospital's revenue increased from RMB35.0 million in 2018 to RMB43.1 million in 2019, our revenue from Kaiyuan Jiehua Hospital decreased slightly in 2019. This is because we agreed, since 2019, not to charge management fees on Kaiyuan Jiehua Hospital's medical fees waived as assistance to psychiatric patients who are financially distressed. Specifically, our revenue from Kaiyuan Jiehua Hospital in 2019 was based on its revenue after the waiver, while our revenue from Kaiyuan Jiehua Hospital in 2018 was based on its revenue before the waiver. Taking into account such medical fees waived, our revenue from Kaiyuan Jiehua Hospital decreased slightly in 2019.

Kaiyuan Jiehua Hospital's excess of revenue over expenditure

The decrease in excess of revenue over expenditure of Kaiyuan Jiehua Hospital in 2018 was resulted from (i) the decrease in its revenue, and (ii) increase in management fee rate as explained above. As revenue of Kaiyuan Jiehue Hospital increased in 2019, it recorded an increase in excess of revenue over expenditure in 2019.

Handan Renhe Hospital

Handan Renhe Hospital's revenue

Throughout the Track Record Period, Handan Renhe Hospital's number of inpatient visits and average spending per inpatient visit had remained relatively stable, resulting in the stable revenue of Handan Renhe Hospital.

Our revenue from Handan Renhe Hospital

Our revenue from Handan Renhe Hospital is affected by (a) Handan Renhe Hospital's revenue, and (b) the rate of management fees we charged Handan Renhe Hospital. While Handan Renhe Hospital's revenue dropped slightly from RMB20.9 million in 2017 to RMB20.2 million in 2018, our revenue from Handan Renhe Hospital increased in 2018 as a result of the adjustment in management fee rate from 3% of revenue (excluding revenue generated by its radiotherapy center of RMB13.2 million) in 2017 to 10% of revenue (including revenue generated by its radiotherapy center) in 2018. The slight increase in our revenue from Handan Renhe Hospital in 2019 was driven by the slight increase in Handan Renhe Hospital's revenue in 2019.

Handan Renhe Hospital's excess of revenue over expenditure

While the revenue of Handan Renhe Hospital has remained relatively stable throughout the Track Record Period, the decrease in excess of revenue over expenditure was primarily resulted from the rise in salaries and wages for medical professionals.

Handan Zhaotian Hospital

Handan Zhaotian Hospital's revenue

Despite the decrease in patient visits in 2018, Handan Zhaotian Hospital's revenue increased as a result of an increase in the average spending per visit. Handan Zhaotian Hospital recorded no revenue in 2019 as its renovation commenced in December 2018 and it is currently not in operation. Acquired in August 2015 with operations commenced in August 2016, Handan Zhaotian Hospital was originally designed as an orthopedics specialty hospital upon its establishment. In line with its long-term strategy to transform into an oncology-focused hospital, Handan Zhaotian Hospital decided to invest to improve its infrastructure and gradually procure certain large-scale radiotherapy and other medical equipment within a few years after it resumes operations.

Our revenue from Handan Zhaotian Hospital

We recorded no revenue from Handan Zhaotian Hospital in 2017 as we have agreed to waive its management fees for the same year, considering its initial stage of operations with small revenue base and high operating costs.

Handan Zhaotian Hospital's excess of revenue over expenditure

Handan Zhaotian Hospital recorded deficit of revenue over expenditure in 2017 and 2018 as it was in its initial stage of operations.

MANAGEMENT AND OPERATION OF OUR IN-NETWORK HOSPITALS

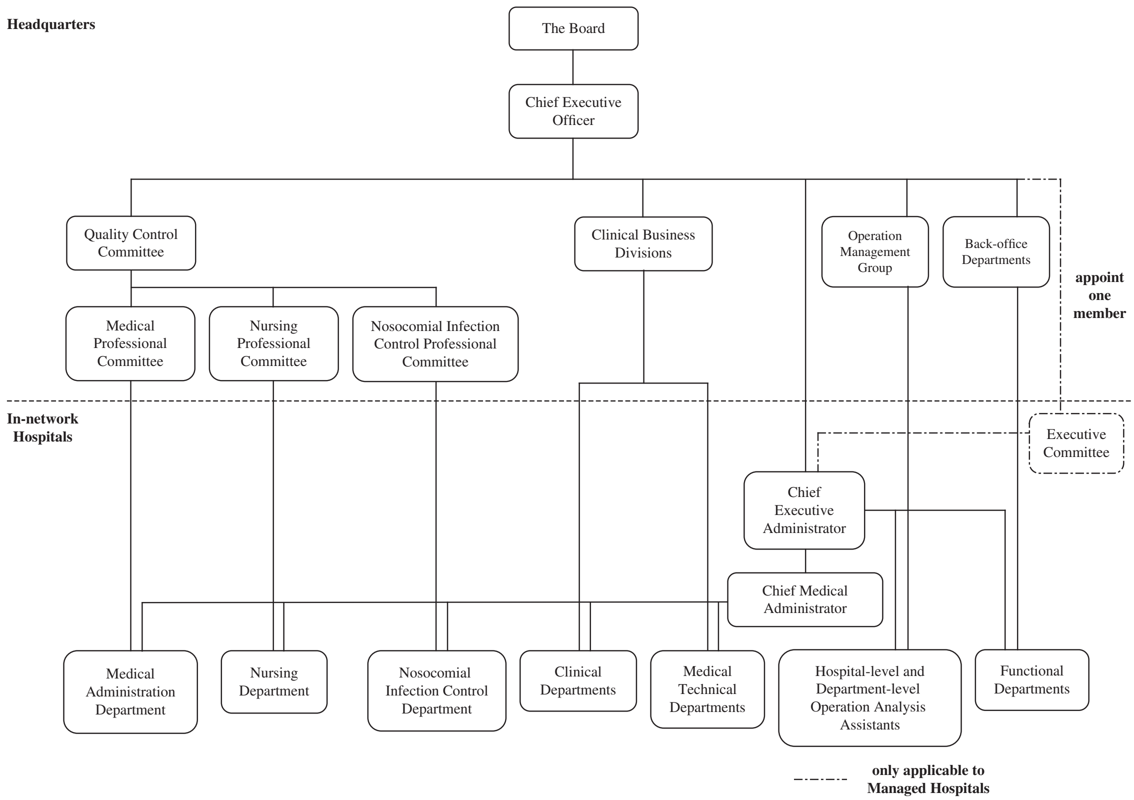
At each in-network hospital, the management and operations are generally headed by a chief executive administrator who is experienced in management of medical institutions and reports directly to our chief executive officer. Each in-network hospital also has a chief medical administrator who is in charge of medical and quality control related matters and reports to its chief executive administrator. We maintain monthly discussions with the hospital administrators of our in-network hospitals to obtain updates on the financial performance and the operations of these hospitals. Other key positions in our in-network hospitals primarily include the head of each clinical department and each medical technical department and the head of each functional department (such as finance department, human resources department and information technology department). The head of each clinical department and each medical technical department at our in-network hospitals reports to the corresponding clinical business division (臨床事業部) at our headquarters, which reviews the clinical and financial performance of such department, provides insights on latest technologies and developments and identify specific areas for improvement. The head of each functional department at our in-network hospitals reports to the corresponding back-office department (後台支持部門) at our headquarters, which provides guidance on the management of such department. In addition, each of our in-network hospitals has operation analysis assistants (經營分析助理) at both hospital level and department level. Such operation analysis assistants report to the operation management group (經營管理組) at our headquarters, which review the operational performance of our in-network hospitals and their various departments.

Our quality control committee at the headquarters level is primarily responsible for overseeing the implementation of standardized clinical practice guidelines and operational procedures across our in-network hospitals as well as assessing and monitoring the quality control of healthcare services of our in-network hospitals. Our quality control committee also provides regular trainings to, and conducts periodic inspections on, our in-network hospitals. In particular, our quality control committee monitors the performance of our in-network hospitals through its three professional sub-committees, namely, the medical professional committee (醫療專業委員會), the nursing professional committee (護理專業委員會) and the nosocomial infection control professional committee (院感專業委員會), which directly supervise the medical administration department (醫務部), nursing department (護理部) and nosocomial infection control department (院感科), respectively, of each of our in-network hospitals. The chairman of our quality control committee is a registered neurosurgeon with more than 30 years of first hand clinical experience as a practicing physician, and its sub-committee heads possess more than 25 years of industry-related experience on average. In addition, a majority of members of our quality control committee have clinical and/or management experience in Class IIIA hospitals in China before joining us.

As for our self-owned hospital, we have adopted a two-tier centralized management structure with central decision-making authority at the headquarters level and delegated management and operational power at the hospital level. Our central management at the headquarters formulates our overall strategies and business plans, makes key management decisions, reviews and approves annual budgets, and oversees and coordinates the implementation of our overall strategies and business plans, as well as Group-wide policies and procedures, across our self-owned hospitals. We carefully select, recommend and appoint the hospital administrators and other key positions of our self-owned hospitals.

Each of our Managed Hospitals has an executive committee which currently consists of three members, one of whom is appointed by us, namely, our administrative director, and two of whom are elected by an employee committee. Such employee representatives currently include the chief executive administrator and the assistant to the chief executive administrator of each of Handan Renhe Hospital and Kaiyuan Jiehua Hospital as well as the radiographer supervisor and the director of the chief executive administrator's office of Handan Zhaotian Hospital. Each member of the executive committee is appointed for a term of three years and can serve consecutive terms upon re-appointment. Each member of the executive committee has one vote. The executive committee exercises key decision-making powers over material business matters such as formulating overall strategies and business plans, approval of annual budgets, appointment and removal of hospital administrators and other key positions, establishment of functional departments, formulation of internal policies and procedures as well as remuneration package of medical professionals. These matters are decided by a simple majority of all executive committee members.

The diagram below illustrates the management and reporting structure of our in-network hospitals:



We perform standardized internal performance reviews throughout our in-network hospitals to effectively evaluate the individual performance of hospital administrators, medical professionals and administrative personnel.

MEDICAL PROFESSIONALS

The qualification and expertise of physicians and other medical professionals practicing at our in-network hospitals are vital to the quality of services provided by our in-network hospitals and our competitiveness. There are generally three types of physicians practicing at our in-network hospitals: (i) physicians who are employees of our in-network hospitals and practice at our in-network hospitals on a full-time basis; (ii) physicians who are retirees of our in-network hospitals or other third-party hospitals and practice at our in-network hospitals on a full-time basis; and (iii) multi-site practice physicians who practice at our in-network hospitals on a part-time basis.

Physicians who practice at our in-network hospitals on a full-time basis include (i) physicians who are employees of our in-network hospitals and enter into employment contracts with our in-network hospitals; and (ii) retirees of our in-network hospitals or other third-party hospitals and enter into service contracts with our in-network hospitals. The respective in-network hospital is responsible for making social insurance and housing provident fund contributions for and on behalf of its employee physicians to the extent required by the applicable PRC laws and regulations.

Physicians practice at our in-network hospitals on a part-time basis represent multi-site practice physicians. Many of our multi-site practice physicians are well-known physicians at public and private hospitals.

As of December 31, 2019, our self-owned hospitals had 696 physicians, including 597 full-time physicians and 99 part-time physicians, and our Managed Hospitals in operation had 65 physicians, including 63 full-time physicians and two part-time physicians.

Qualification of Our Medical Professionals

In the PRC, licensed physicians are subject to periodic assessment of their professional skills, achievements and professional ethics by institutions or organizations authorized by the public health department in the PRC. There are three qualifications and three professional ranks for physicians in the PRC: (i) junior qualification (初級職稱) for resident physicians who typically undertake entry-level tasks such as patients' medical record preparation and practice under the supervision of attending physicians or other superiors; (ii) mid-end qualification (中級職稱) for attending physicians who may supervise resident physicians and typically undertake routine medical procedures, teaching and research; and (iii) senior qualification (高級職稱) for (a) associate-chief physicians who may supervise attending and resident physicians, direct research work of a specific field, and typically undertake complex medical procedures and (b) chief physicians who typically command the highest level of medical capability in a specific field and are generally the head of a clinical department. As of December 31, 2019, physicians practicing at our self-owned hospitals included 81 chief physicians, 92 associate chief physicians, 195 attending physicians and 328 resident physicians; physicians practicing at our Managed Hospitals in operation included one chief physician, 14 associate chief physicians, 11 attending physicians and 39 resident physicians. As of December 31, 2019, chief physicians and associate-chief physicians practicing at our in-network hospitals had an average of 20 years of industry experience, attending physicians practicing at our in-network hospitals had an average of 10 years of industry experience and resident physicians practicing at our in-network hospitals had an average of five years of industry experience. Our in-network hospitals regularly review the profile of their physicians and reminds them to apply for their next professional rank when they become eligible.

As of December 31, 2019, our self-owned hospitals and our Managed Hospitals in operation had 1,271 and 125 other medical professionals, respectively. Other medical professionals comprise primarily physician assistants (醫師助理), nurses, pharmacists, radiographers and laboratory technicians. Physician assistants practicing at our in-network hospitals comprise primarily medical graduates from medical universities who work at our in-network hospitals as assistants to the outranking physicians for at least one year and they can take up the role of resident physicians after successfully obtaining the physician qualification certificates (醫師資格證書).

As of December 31, 2019, each of the physicians practicing at our in-network hospitals had obtained the physician qualification certificate. As of December 31, 2019, each of the other medical professionals practicing at our in-network hospitals (except for physician assistants) had obtained the necessary qualification certificate for his or her medical practice in the PRC. We also closely monitor the qualification registration and licensing records on a continuing basis to ensure that all physicians practicing at our in-network hospitals comply with all applicable requirements under PRC laws and regulations, in particular, each physician's practice is within the scope of his or her qualification and license. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints or penalties in relation to physicians of our in-network hospitals practicing beyond the scope of their respective licenses.

Recruitment and Retention of Our Medical Professionals

In selecting new physicians and other medical professionals, our in-network hospitals assess, among others, their academic and professional qualifications, years of relevant experience, as well as their character and integrity. The performance of medical professionals is reviewed regularly with reference to performance targets set primarily based on their positions and their respective clinical departments. The results of such reviews will later be used in salary determinations, bonus awards and promotion appraisals.

Physicians and other medical professionals practicing at our in-network hospitals regularly receive academic and clinical trainings by internal and external experts. In particular, we have active dialogues and exchanges of information with well-respected medical institutions in China and developed overseas markets, such as United States and Japan, and invite leading experts or well-known specialists to share with us their clinical experiences and latest developments in the industry. For newly recruited physicians and other medical professionals, we offer orientation manual to help them better understand and identify with our core values.

OUR FUTURE EXPANSION

We plan to continue to expand our network of hospitals by both organic growth and strategic acquisitions.

Organic Growth

Leveraging our successful track record and highly scalable business model, we intend to continuously upgrade our existing hospitals and establish new hospitals. In particular, we plan to selectively upgrade certain of our in-network hospitals to elevate our service capacity and widen our service offerings. The following table sets forth the estimated details of our intended expansion plan for upgrading existing hospitals:

Hospital	Current status	Estimated scale	Expected time of opening
Phase II of Shanxian Hygeia Hospital	In the process of obtaining regulatory approval	– GFA: 20,000 sq.m. – 150 to 200 registered beds	2021
Phase II of Chengwu Hygeia Hospital	In the process of obtaining regulatory approval	– GFA: 15,000 sq.m. – 300 to 400 registered beds	2021
Phase II of Chongqing Hygeia Hospital	In the process of obtaining regulatory approval	– GFA: 70,000 sq.m. – 700 to 900 registered beds	2022

In addition, we plan to establish new oncology-focused hospitals in Liaocheng and Dezhou, Shandong Province, Suzhou, Jiangsu Province and Longyan, Fujian Province. The following table sets forth the estimated details of our intended expansion plan for establishing new hospitals:

Location	Current status	Estimated scale	Expected time of opening
Liaocheng	In the process of obtaining regulatory approval	– GFA: 70,000 sq.m. – 700 to 900 registered beds	2022
Dezhou	Location selection completed	– GFA: 70,000 sq.m. – 700 to 900 registered beds	2022
Suzhou	Location selecting	– GFA: 70,000 sq.m. – 700 to 900 registered beds	2023
Longyan	Location selecting	– GFA: 50,000 sq.m. – 500 to 700 registered beds	2023

We expect to incur total investment of approximately RMB2.3 billion for the above new hospitals, of which approximately RMB1.3 billion will be funded by our internal financial resources and the remaining approximately RMB1.0 billion to be funded by proceeds from the Global Offering. Please see "Future Plans and Use of Proceeds."

The opening of a new hospital generally involves a number of steps, including strategic planning, market research, site selection, feasibility study, regulatory approval process, construction and decoration of premises, recruitment of necessary personnel, acquisition of equipment and supplies, and commencement of operations. According to our past experience, such process generally takes around two years to complete.

Monthly breakeven of a new hospital is reached when it begins to record monthly net profit. The payback period for a new hospital represents the time that it takes for the accumulated operating cash flow attributable to the Company from the relevant hospital to cover the initial investment. Based on our previous operating experience, we estimate that the monthly breakeven period for our new hospitals to be within one year, and the investment payback period for our new hospitals ranges from three years to five years from commencement of operations. However, the monthly breakeven periods and the investment payback periods may be further affected by the specific characteristics of a hospital, such as its size, initial investment, the coverage of its services and the competitive landscape.

Strategic Acquisitions

When appropriate opportunities arise, we will also consider acquiring hospitals in new markets which has sizable population and relatively high level of demand for oncology healthcare services. We believe our previous operating experience will aid us in identifying potential acquisition opportunities and successfully integrating newly acquired hospitals' operations into our existing infrastructure.

When expanding by acquisition, we will primarily target hospitals (i) occupying owned properties; (ii) with GFA of at least 10,000 sq.m. and having sufficient space to accommodate large-scale radiotherapy equipment; and (iii) which are Medical Insurance Designated Medical Institutions. We systematically review and screen potential hospital targets. We evaluate hospital targets based on a number of criteria, including:

- location of the target and its proximity to prime commercial districts;
- the target's current operations and capacity, taking into consideration its medical professionals and clinical departments;
- experience and track record of medical professionals and staff of the target;
- estimated initial investment amount required to improve the target's infrastructure;
- ongoing operating expenses and capital requirements;
- potential returns and estimated future value;
- the target's historical medical performance and professional reputation, taking into consideration the quality and safety of the services provided by the target;
- required licenses and permits for operations and the target's historical compliance with applicable laws and regulations; and
- the target's compatibility with our corporate culture and existing in-network hospitals.

We plan to invest in acquired hospitals to bring them in line with our existing standards and strengthen their oncology specialties.

We plan to finance the above intended acquisitions primarily by the proceeds from the Global Offering, and, if necessary or desirable, with our internal financial resources and/or bank borrowing. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets.

We may face a number of challenges in implementing our expansion plans, such as recruiting experienced physicians and other medical professionals, obtaining the requisite licenses and permits, and maintaining our competitive advantages. To this end, we intend to continue to attract and retain seasoned medical professionals to join us by offering competitive benefits and promising career opportunities. In addition, we will, in accordance with all applicable laws, regulations and rules, apply for the necessary approvals, permits and licenses for our expansion plans. Our expansion plans are inevitably subject to our operations and the market conditions from time to time and we may make adjustments accordingly for our best interests. Please see "Risk Factors – Risks Relating to Our Business and Industry – We may be unable to identify or execute expansion opportunities, and acquired businesses may have unknown or contingent liabilities, which may materially and adversely affect our business, results of operations, financial condition and prospects."

OUR PROPRIETARY SRT EQUIPMENT

The following is a picture of our proprietary SRT equipment:

Our proprietary SRT equipment can be used to treat tumors in the brain or elsewhere in the body. Specifically, the cobalt-60 source emits gamma rays that are passed through a collimator unit to produce a highly-focused beam of radiation and the individual beams then converge to deliver an extremely concentrated dose of radiation precisely to the pre-selected location of the patient's brain or body. In particular, our proprietary SRT equipment uses the principle of multi-source rotating focus, "gyroscope peak," which concentrates gamma rays in a geometric focus. In this way, the lesion is subjected to high-dose radiation, while the surrounding normal tissues are subjected to low-dose radiation. Within a certain range of volume, a radiation dose destroys tumor cells without affecting the surrounding normal tissue. In addition, we own the copyright to the treatment planning system loaded in our proprietary SRT equipment. Such treatment planning system enables accurate positioning through imaging techniques at the beginning of the treatment, which create detailed, three-dimensional representations of the tumor and surrounding tissues, increasing the focus-skin ratio to a greater degree.

We are currently collaborating with an external research partner to upgrade our proprietary SRT equipment, which will enable accurate real-time positioning throughout the treatment process. Pursuant to the relevant agreement, we have agreed to pay with such external research partner a fixed fee of RMB3.8 million, which will not be subject to any further change, for exclusive ownership of intellectual property rights associated with the upgraded equipment. We paid RMB1,146,000 immediately after execution of the agreement, and the remaining amounts will be payable in installments upon completion of certain milestones, including installation (RMB687,000), acceptance (RMB687,000), issuance of type test report (RMB600,000), issuance of clinical trial report (RMB400,000) and completion of NMPA registration (RMB300,000). These payments are initially recorded as prepayments, which will be expensed off as incurred. We closely monitor the research and development progress and performance of our external research partner and we are entitled to require rectification, seek damages or terminate the agreement if we determine that its performance is not satisfactory to us. We expect that our upgraded proprietary SRT equipment to be available for use in 2021.

Treatment using our proprietary SRT equipment is typically completed over a course of multiple sessions spanning one to two weeks. The treatment procedure is non-invasive and does not necessarily involve inpatient hospitalization and therefore, is more cost-effective than surgery and avoids many potential risks and complications associated with other treatment options.

As of the Latest Practicable Date, we owned 42 units of our proprietary SRT equipment, out of which six were installed in our self-owned hospitals, three in our Managed Hospitals, 11 in our in-network radiotherapy centers, two in certain additional radiotherapy centers which had not yet commenced operations (please see "– Our Network of Hospitals and Radiotherapy Centers – Our Network of Radiotherapy Centers), and the remaining 20 were licensed to an Independent Third Party customer, namely, Gamma Star Industrial. We plan to produce around 25 units of our proprietary SRT equipment in the next two years.

Production Process

Our proprietary SRT equipment is produced primarily using cobalt-60 source shielded by a uranium-238 cover, an applicator (治療頭), certain mechanical components and electronic controls (電控) as well as the outer cover (外殼). We directly procure cobalt-60 source and uranium-238 from third-party suppliers and subcontract the production of applicators, mechanical components, electronic controls and outer covers of our proprietary SRT equipment to contract manufacturers which we believe are experienced and well-positioned to meet our strict quality requirements. The production process of one unit of our proprietary SRT equipment typically takes approximately four months.

After the user hospital commences production planning of our proprietary SRT equipment, we proceed to place purchase orders with a cobalt-60 source supplier, a uranium-238 supplier and contract manufacturers. We provide our contract manufacturers with detailed production specifications and quality standards. The lead time of our contract manufacturers varies for different types of purchases and generally ranges from half a month to three months.

Our in-house production team assembles the electronic controls and mechanical components together in our production facility, after which we perform preliminary integration and calibration to ensure functionality of the sub-assembled components. We also conduct a preliminary assembly of the applicator and the outer cover in our facility and arrange delivery of the semi-finished applicator to our cobalt-60 source supplier which assembles it with cobalt-60 source and uranium-238 cover.

The sub-assembled components as well as the semi-finished applicator and outer cover are then assembled together by our in-house production team at the user hospital. Subsequently, we load our treatment planning software into the final product and undertake final integration and calibration before it is put into use.

Given cobalt-60 has a half-life of 5.27 years, when necessary, after taking into consideration of the previous frequency of usage, we will consider replacing the cobalt-60 source of our proprietary SRT equipment installed in our in-network hospitals and radiotherapy centers after the half-life is reached. In that case, we will disassemble the applicator from our proprietary SRT equipment and arrange delivery of the disassembled applicator directly to a cobalt-60 source supplier, which will subsequently extract the disused cobalt-60 source, dispose of the disused cobalt-60 source and then assemble a new cobalt-60 source with the disassembled applicator.

Production Facility

Our production facility for our proprietary SRT equipment is located in Jinshan District, Shanghai, with a total GFA of approximately 2,170 sq.m. Except for the Medical Device Production License which is currently in the process of being renewed as disclosed in "– Licenses, Permits and Certificates," such facility has obtained all material licenses, permits and approvals for the production of our proprietary SRT equipment. As of December 31, 2019, we had a team of 17 production personnel. We do not require any large-scale machinery for our production process, which principally involves assembly, integration, calibration and testing.

As our proprietary SRT equipment is primarily installed in our in-network hospitals and radiotherapy centers or licensed to certain other customers, which we currently do not intend for sale, we only commence production when there is a need. In addition, our production is mainly constrained by the supply of cobalt-60 source. Please see "– Our Suppliers and Procurement" for more details. Therefore, we believe that it is misleading to discuss the capacity and utilization rate of our production facility and they are not meaningful measures of our production utilization.

Quality Control

Quality control is of vital importance to us and we produce our proprietary SRT equipment in compliance with applicable standards and regulations in the PRC. We have established and maintained a stringent quality management system, which effectively monitors the whole production process beginning from procurement till the SRT equipment is ready for use. In particular, for major raw materials, our contract manufacturers may only purchase from suppliers designated by us. In addition, we assign personnel from our production team on-site to closely monitor the production process of our contract manufacturers and designate personnel from our quality control team to perform inspections on their work-in-progress and finished products.

After preliminary assembly, each of the sub-assembled components and semi-finished applicator and outer cover undergoes inspection by our quality control team before they are released to the next stage of the production process. When our proprietary SRT equipment is in final form, it is required to be tested and inspected to ensure that it has met the required specifications and can be put into use.

OUR SUPPLIERS AND PROCUREMENT

Our in-network hospitals primarily require pharmaceuticals and medical consumables for their operations. We have a centralized procurement management team at our headquarters, which is responsible for approving supply channels and negotiating the terms for our purchases. Each of our in-network hospitals consolidates and regularly reports its procurement needs to our centralized procurement management team, which then aggregates all procurement needs and selects quality suppliers. Our in-network hospitals place purchase orders with the selected suppliers with quantities and purchase prices approved by our centralized procurement management team. We believe centralized procurement allows us to achieve economies of scale and to better control the quality of the pharmaceuticals and medical consumables we procure.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service or product quality and delivery schedule. Our suppliers are required to possess all licenses and permits necessary to conduct their operations, including GMP and/or GSP certifications. Only those suppliers which fulfill all our selection criteria are selected.

Our medical supplies are primarily sourced within the PRC. Depending on the different types of supplies and our relationships with the suppliers, the terms of the supply agreements with our suppliers vary from supplier to supplier. We generally do not have long-term agreements with our suppliers. We are typically given credit terms ranging from 30 days to 90 days by suppliers of our medical supplies. We normally pay our suppliers via wire transfer. Our suppliers are generally responsible for arranging the delivery to our respective in-network hospital at their own costs. We are entitled to return certain supplies that do not meet our standards upon inspection after delivery. During the Track Record Period, we had not experienced any significant return of supplies that did not meet our standards and had not suffered any significant loss or damage caused by quality problems with the supplies.

Cobalt-60 source is the major raw material for production of our proprietary SRT equipment. The market price of cobalt-60 source has experienced steady increase from 2015 to 2019, a trend which is expected to continue from 2020 to 2025, according to Frost & Sullivan. Please see "Industry Overview – Market Price of Cobalt-60 Source" for more details. We do not expect the price change of cobalt-60 source to have a material and adverse impact on our operations and the production plan of our proprietary SRT equipment, because (i) we currently maintain two suppliers of cobalt-60 source in order to avoid reliance on any individual supplier; and (ii) purchase price of cobalt-60 source for the production of one unit of our proprietary SRT equipment generally costs less than RMB2 million, which is amortized, as part of our equipment cost, on a straight-line basis over eight years, and therefore, does not have any significant impact on our financial position and results of operations. We subcontract the production of applicators, mechanical components, electronic controls and outer covers of our proprietary SRT equipment to Independent Third Party contract manufacturers. As of the Latest Practicable Date, our contract manufacturers had worked with us for periods ranging from three years to 10 years. We maintain strict selection criteria for our contract manufacturers including industry expertise, track record and financial condition and evaluate their performance on an ongoing basis. We purchase finished products from our contract manufacturers at prices determined based on market rates. Our contract manufacturers must meet our stipulated quality requirements and are responsible for liabilities caused by product defects. For each unit of cobalt-60 source, one supplier requires us to make prepayment of 90% of the contract price before delivery, with the remaining amounts to be settled immediately after delivery; while the other supplier requires us to make full prepayment before delivery. Our contract manufacturers generally require us to make prepayment of 20% to 30% of the contract price, with 60% to 70% of the contract price to be settled immediately prior to delivery and we retain the remaining 10% as retention money for one year after delivery. Our suppliers of cobalt-60 source are responsible for arranging delivery to the user hospitals at our costs, while we arrange delivery of the other components from our contract manufacturers' production facilities to ours.

Save as disclosed in "Risk Factors – Risks Relating to Our Business and Industry – If we cannot secure an adequate supply of cobalt-60 source and other components for the production of our proprietary SRT equipment, our business could be materially and adversely affected," during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of or delay in the delivery of supplies. We maintained stable business relationships with our suppliers during the Track Record Period and we usually have more than one supplier for each type of supplies in order to ensure we maintain sufficient inventory level and bargaining power.

During the Track Record Period, we had not experienced any significant fluctuation in the prices of our supplies. Please refer to the subsection headed "Financial Information – Key Factors Affecting Our Results of Operations – Ability to control our costs and expenses" for the sensitivity analysis and breakeven analysis of the cost of inventories and consumables.

The following table sets forth certain information of our five largest suppliers during the Track Record Period:

Supplier	Major products purchased or services received by us	Credit terms	Settlement information	Amount of purchases	As a percentage of our total purchases	Length of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2019						
Supplier A	Pharmaceuticals	60 – 90 days	Wire transfer	35,166	10.2	Since 2016
Supplier B	Pharmaceuticals	60 days	Wire transfer	34,692	10.0	Since 2019
Supplier C	Pharmaceuticals	60 – 180 days	Wire transfer	20,666	6.0	Since 2015
Supplier D	Radiotherapy center service	30 days	Wire transfer	17,031	4.9	Since 2018
Supplier E	Pharmaceuticals	90 days	Wire transfer	9,976	2.9	Since 2016
				117,531	34.0	
For the year ended December 31, 2018						
Supplier F	Pharmaceuticals	60 days	Wire transfer	60,208	19.2	Since 2016
Supplier A	Pharmaceuticals	60 – 90 days	Wire transfer	22,871	7.3	Since 2016
Supplier C	Pharmaceuticals	60 – 180 days	Wire transfer	17,382	5.6	Since 2015
Supplier G	Radiotherapy center service	30 days	Wire transfer	12,582	4.0	Since 2017
Supplier E	Pharmaceuticals	90 days	Wire transfer	7,517	2.4	Since 2016
				120,561	38.5	
For the year ended December 31, 2017						
Supplier F	Pharmaceuticals	60 days	Wire transfer	27,252	12.4	Since 2016
Supplier G	Radiotherapy center service	30 days	Wire transfer	16,499	7.5	Since 2017
Supplier C	Pharmaceuticals	60 – 120 days	Wire transfer	15,995	7.3	Since 2015
Supplier A	Pharmaceuticals	60 – 120 days	Wire transfer	13,597	6.2	Since 2016
Supplier E	Pharmaceuticals	90 days	Wire transfer	6,919	3.1	Since 2016
				80,262	36.5	

As of the Latest Practicable Date, all of our five largest suppliers during the Track Record Period were Independent Third Parties, and to the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest suppliers.

INVENTORY MANAGEMENT

Inventories of our in-network hospitals primarily comprise pharmaceuticals and medical consumables. Our in-network hospitals generally maintain 30 days of inventory for pharmaceuticals and medical consumables to meet their needs. Upon inspection after delivery, medical supplies are put into storage areas with controlled temperature and humidity. During the Track Record Period, we were in full compliance with applicable laws and regulations in relation to the storage of medical supplies in all material aspects. We review our inventories on hand on a monthly basis. We carry out regular physical inventory counts to verify the accuracy of our inventory records and we closely monitor inventory expiry dates to ensure no expired items will be used. Once the supplies are expired, we will safely dispose of them in accordance with applicable laws and regulations, and write off them accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories.

SALES AND MARKETING

We have engaged Independent Third Party service providers to promote our proprietary SRT equipment and the services provided by radiotherapy centers of our self-owned hospitals and our in-network radiotherapy centers. In particular, we engaged nine, 15 and 17 service providers in 2017, 2018 and 2019, respectively. To the best knowledge of the Directors, these service providers are practitioners who have substantial experience in the radiotherapy industry and extensive local resources in the respective markets. Such service providers are primarily responsible for collecting market intelligence, organizing educational and promotional activities and seminars as well as patient follow-ups. Each of them works with an in-network hospital or in-network radiotherapy center as its exclusive provider of these services in exchange for a percentage (approximately 20% to 32% during the Track Record Period) of revenue generated directly from use of our proprietary SRT equipment in the relevant in-network hospital or in-network radiotherapy center. The radiotherapy center service fee rates are determined based on arm's length negotiations between the parties after taking into consideration of the scope of services provided by these service providers and the prevailing market prices for similar services. According to Frost & Sullivan, it is a common market practice for radiotherapy equipment manufacturers to engage third-party service providers in the local markets to promote their products and services. For the years ended December 31, 2017, 2018 and 2019, fees paid to these radiotherapy center service providers amounted to RMB34.4 million, RMB46.1 million and RMB62.0 million, respectively. To the best of the knowledge of our Directors, other than disclosed in this prospectus, none of these radiotherapy center service providers has any past or present relationship (including family, employment, business, financing or otherwise) or any side agreement or arrangement, with us, our subsidiaries, our in-network hospitals (including the Managed Hospitals), the Directors, the Shareholders or our senior management, or any of their respective associates.

In addition, we organize educational and promotional activities and seminars to promote our in-network hospitals. From time to time, we also provide free medial consultations as part of our social responsibility efforts.

OUR CUSTOMERS

Our customers primarily fall into five categories: (i) patients that receive healthcare services at our self-owned hospitals; (ii) hospital partners for our Radiotherapy Center Services; (iii) other licensees of our proprietary SRT equipment; (iv) our Managed Hospitals; and (v) customers which purchased our proprietary SRT equipment.

The following table sets forth certain information of our five largest customers during the Track Record Period:

Customer	Major products sold or services provided by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue	Length of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2019						
Gamma Star Industrial	(i) Licensing of our proprietary SRT equipment; and (ii) maintenance and technical support services	One month	Wire transfer	37,291	3.4	Since 2018
Owner of Hunan Radiotherapy Center	(i) Radiotherapy center consulting services; and (ii) maintenance and technical support services	One month	Wire transfer	15,585	1.4	Since 2017
Kaiyuan Jiehua Hospital	(i) Hospital management services; and (ii) Radiotherapy Center Services	One month	Wire transfer	14,269	1.3	Since 2012
Handan Renhe Hospital	(i) Hospital management services; and (ii) Radiotherapy Center Services	One month	Wire transfer	9,700	0.9	Since 2011
Owner of Xiangyang Radiotherapy Center	Radiotherapy Center Services	One month	Wire transfer	9,156	0.8	Since 2015
				86,001	7.9	

Customer	Major products sold or services provided by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue	Length of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2018						
Excluded Business of Gamma Star Industrial (prior to our disposal of Gamma Star Industrial in October 2018)	(i) Licensing of our proprietary SRT equipment; and (ii) maintenance and technical support services	One month	Wire transfer	27,529	3.6	2016 – 2018
Owner of Hunan Radiotherapy Center	(i) Radiotherapy center consulting services; and (ii) maintenance and technical support services	One month	Wire transfer	22,917	3.0	Since 2017
Kaiyuan Jiehua Hospital	(i) Hospital management services; and (ii) Radiotherapy Center Services	One month	Wire transfer	14,172	1.8	Since 2012
Gamma Star Industrial (after our disposal of Gamma Star Industrial in October 2018)	(i) Licensing of our proprietary SRT equipment; and (ii) maintenance and technical support services	One month	Wire transfer	9,816	1.3	Since 2018
Owner of Xiangyang Radiotherapy Center	Radiotherapy Center Services	One month	Wire transfer	9,778	1.3	Since 2015
				84,212	11.0	

Customer	Major products sold or services provided by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue	Length of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2017						
Excluded Business of Gamma Star Industrial	(i) Licensing of our proprietary SRT equipment; and (ii) maintenance and technical support services	One month	Wire transfer	38,574	6.5	2016 – 2018
Owner of Hunan Radiotherapy Center	(i) Sales of our proprietary SRT equipment; (ii) radiotherapy center consulting services; and (iii) maintenance and technical support services	One month	Wire transfer	27,677	4.6	Since 2017
Customer A	Sales of our proprietary SRT equipment	One month	Wire transfer	8,530	1.4	2017
Handan Renhe Hospital	(i) Hospital management services; and (ii) Radiotherapy Center Services	One month	Wire transfer	8,387	1.4	Since 2011
Kaiyuan Jiehua Hospital	(i) Hospital management services; and (ii) Radiotherapy Center Services	One month	Wire transfer	7,414	1.2	Since 2012
				90,582	15.2	

As of the Latest Practicable Date, other than our Managed Hospitals, all of our five largest customers during the Track Record Period were Independent Third Parties, and to the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest customers.

PRICING AND PAYMENT

For outpatient healthcare services provided by our in-network hospitals, patients are generally required to pay their medical bills before receiving the services through public medical insurance programs and out-of-pocket payments themselves. For inpatient healthcare services, patients are generally required to pay a deposit in advance of admission and settle their medical bills on the day of discharge through public medical insurance programs and out-of-pocket payments themselves. As of December 31, 2019, all of our in-network hospitals in operation were Medical Insurance Designated Medical Institutions. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of healthcare services. In such case, patients generally settle a portion of their medical bills through out-of-pocket payments, and the remainder was covered by the public medical insurance programs. The specific percentage covered by different public medical insurance programs may vary based on criteria including type of the insurance program, age of the patient and type of treatment involved and pharmaceuticals sold. For the years ended December 31, 2017, 2018 and 2019, revenue derived from settlement through public medical insurance programs accounted for approximately 32.1%, 37.8% and 42.0% of our total revenue, respectively.

With respect to certain payments covered by public medical insurance programs, during the Track Record Period, some of our in-network hospitals have entered into cooperation agreements with certain commercial insurance providers, according to which such providers directly settle with our relevant in-network hospitals on behalf of the relevant local medical insurance bureaus. For the years ended December 31, 2017, 2018 and 2019, payments received by our relevant in-network hospitals through direct settlement with commercial insurance providers amounted to approximately RMB7.4 million, RMB17.3 million and RMB37.4 million, respectively. Pursuant to the cooperation agreements, the commercial insurance providers generally settle with our relevant in-network hospitals on a monthly basis.

For the portion of the medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our in-network hospitals typically receive reimbursement of a majority of such portion in the current month or the following month, with the remainder to be settled generally within the first six months in the following year, except when such portion exceeds the government-approved annual quota as (only applicable to medical fees for inpatient healthcare services) disclosed below. For the amounts in excess of the government-approved annual quota, the reimbursement typically happens in the following year, with the majority also in the first six months.

Depending on the relevant public medical insurance programs' practice, a Medical Insurance Designated Medical Institution may be subject to a government-approved annual quota for the medical fees that it is allowed to recover from the relevant public medical insurance bureau. During the Track Record Period, the inpatient healthcare services provided by certain of our self-owned hospitals were subject to such government-approved quota. The aggregate annual quota of these hospitals was approximately RMB88.1 million, RMB120.6 million and RMB101.1 million, respectively, in 2017, 2018 and 2019, representing 63.4%, 75.2% and 75.6%, respectively, of total medical fees of these hospitals covered by the public medical insurance programs and subject to government-approved quota for the same periods.

For amounts in excess of the relevant hospital's government-approved quota, the local medical insurance bureau may reimburse all or part of these amounts in the next year according to relevant local policies. We regard the medical fees to be recovered from the relevant public medical insurance bureaus as "variable considerations" as defined in IFRS 15 "Revenue from contracts with customers." We estimate such "variable considerations" based on the most likely recoverable amount. Such most likely recoverable amount is based on (i) historical practice; and (ii) all the reasonably available information before the reporting date. We will only recognize revenue to the extent that it is highly probable that a significant reversal will not occur.

For the excess amounts under the public medical insurance programs for the years ended December 31, 2017 and 2018, the actual amounts that were reimbursed by the local medical insurance bureaus in the following year were recognized as revenue of the respective relevant year during which the relevant healthcare services were rendered. For our management accounts for the years ended December 31, 2017 and 2018, which were prepared in the first half of 2018 and 2019, respectively, the difference between (A) the excess amounts which were reasonably expected to receive after year end and (B) the excess amounts which were actually received after year end amounted to RMB1.67 million and RMB4 million, respectively, which were received after closing of our then management accounts. On the other hand, for the accountant's report prepared for the purpose of the Listing, for the years ended December 31, 2017 and 2018, there is no difference between (A) the excess amounts which were reasonably expected to receive after year end; and (B) the excess amounts which were actually received after year end. The excess amounts under the public medical insurance programs for the years ended December 31, 2017 and 2018 that were not reimbursed by the local medical insurance bureaus were RMB31.3 million and RMB9.9 million, respectively. Such amounts were not accounted for in our financial statements pursuant to our accounting policies.

For such excess amounts for the year ended December 31, 2019, we recognized the estimated reimbursable amounts, as revenue for the year ended December 31, 2019 based on the relevant local policies and historical reimbursement amounts. As of the Latest Practicable Date, the excess amounts under the public medical insurance programs for the year ended December 31, 2019 had not been fully settled, and we estimated that RMB7.7 million would not be reimbursed by the local medical insurance bureaus.

If there is any difference between the expected and actual reimbursement of the excess amounts from the local public medical insurance bureaus after the Listing, it will be accounted prospectively in our consolidated financial statements for the year ending December 31, 2020 as change of estimate.

Similarly, for the excess amounts in any future years from 2020, we will only recognize the estimated reimbursable amounts, which we reasonably expected to receive after the closing of the annual management accounts, as revenue for the year during which the relevant healthcare services are rendered; while the difference between the expected and actual reimbursement will be accounted prospectively in our consolidated financial statements for the following year as change of estimate.

Pursuant to the applicable PRC laws and regulations, a private for-profit medical institution is generally entitled to set the prices of its services at its own discretion. We price the services provided by our self-owned hospitals based on certain factors, including complexity of the treatment, operating costs, local market conditions and competitors' pricing of similar services; while our self-owned hospitals, as Medical Insurance Designated Medical Institutions, may only charge service fees in accordance with the pricing guidelines set by the relevant local healthcare administrative authorities for services covered by the public medical insurance programs. Services provided by our Managed Hospitals, as private not-for-profit hospitals, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities. As our Managed Hospitals in operation are also Medical Insurance Designated Medical Institutions, for services covered by the public medical insurance programs, such hospitals are also subject to the pricing guidelines set by the relevant local healthcare administrative authorities. The management team at our headquarters regularly inspects the price lists of our in-network hospitals to ensure regulatory compliance.

Some of our self-owned hospitals also offer VIP wards to patients who are willing to pay higher prices for a more comfortable and private environment and they are generally entitled to set the fees charged for VIP wards at its own discretion.

Other than narcotic pharmaceuticals and Class I psychotropic substances which are subject to government price, our in-network hospitals are generally entitled to set the retail prices of the pharmaceuticals and medical consumables at their own discretion. However, for pharmaceuticals and medical consumables covered by the public medical insurance programs, our in-network hospitals are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. In addition, our Managed Hospitals, as private not-for-profit hospitals, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities. Please see "Regulatory Overview – Regulations on the Price of Healthcare Services and Medicine" for more details. As private hospitals, our in-network hospitals are not subject to the pharmaceutical zero mark-up policy (藥品零加成政策), which is a requirement for public hospitals only and under which essential pharmaceuticals are sold to patients at cost and consequently the public hospitals do not make a profit on the sale of these pharmaceuticals. However, in order to compete effectively with public hospitals, we price these pharmaceuticals at a tariff similar to public hospitals in the same region.

SEASONALITY

Our in-network hospitals and radiotherapy centers, in line with the healthcare service industry in the PRC, typically have fewer patient visits shortly before and after the Chinese New Year, during which most people usually avoid visiting hospitals. As a result of the foregoing, our revenue was slightly lower in the first quarter of each financial year during the Track Record Period.

COMPETITION

According to Frost & Sullivan, the oncology healthcare service industry in China is highly competitive and fragmented with a large number of market participants. Market participants mainly comprise public and private general hospitals with oncology departments as well as public and private oncology specialty hospitals. Our in-network hospitals primarily compete on the following key factors: service quality, reputation, convenience, medical professionals, medical equipment and pricing. However, as an oncology healthcare group with proprietary SRT equipment, we believe that we do not have any competitor operating a similar business model as ours. Leveraging our leading market position and extensive market knowledge, we believe we are well positioned to capitalize on the future industry growth. Please see "Industry Overview" for a more detailed discussion regarding the markets in which we operate.

INFORMATION TECHNOLOGY SYSTEMS

Each of our in-network hospitals is equipped with a hospital information system (HIS). Each of our self-owned hospitals is also equipped with a laboratory information system (LIS), a picture archiving and communications system (PACS) and an electronic medical records system (EMRS). HIS streamlines the daily operations of our in-network hospitals, including the management of patient records and billing history, outpatient registrations and inpatient admissions. LIS manages laboratory requests and results, and issues reports and bills for laboratory services. PACS manages radiology requests, such as CT and MRI scans, and results and issues reports and bills for radiology services. EMRS electronically catalogs patients' medical records. The hospital information system network at each in-network hospital is not inter-connected and independent from each other. We also use ERP system for financial management and supply chain management at the headquarters level. We engage Independent Third Parties to develop and implement our information technology systems, which are then jointly maintained by such third-party providers and our information technology team to support our business operations.

We plan to continue to upgrade and improve our information technology systems to support the growth and expansion of our business and operations. In particular, we plan to establish an integrated platform consolidating the hospital information system network of our in-network hospitals, allowing real-time data sharing at the headquarters level and facilitating more informed decision making by our central management.

AWARDS AND RECOGNITIONS

The following table sets forth the recent major awards and recognitions won by our in-network hospitals:

Year	Award/Recognition	Award Issuing Authority	In-Network Hospital Receiving Award
2020	Advanced Entity in Eco-Environmental Work in 2019 (2019年度生態環境工作先進單位)	Dianhutun Subdistrict Office of the Economic Development Zone of Heze City (菏澤市經濟開發區佃戶屯街道辦事處)	Heze Hygeia Hospital
2020	Excellent Private Hospital (優秀民營醫院)	Health Bureau of Anqiu (安丘市衛生健康委員會)	Anqiu Hygeia Hospital
2019	Sound Hospital in Gusu District, Suzhou (蘇州市姑蘇區健康醫院)	Health Commission of Suzhou (蘇州市衛生健康委員會)	Suzhou Canglang Hospital
2019	Oncology Science Education Base of Shapingba District, Chongqing (重慶市沙坪壩區腫瘤科普基地)	Chongqing Association for Science and Technology (重慶市科學技術協會)	Chongqing Hygeia Hospital
2019	National Key Discipline with Respect to Clinical Capability of Medical Institutions (國家級醫療機構臨床能力建設重點學科)	NHC	Chongqing Hygeia Hospital
2019	Advanced Entity of Standardized Management among Private Hospitals in Heze City (全市民營醫院規範化管理先進單位)	Private Hospital Association of Heze City (菏澤市民營醫院協會)	Chengwu Hygeia Hospital

Year	Award/Recognition	Award Issuing Authority	In-Network Hospital Receiving Award
2018	Health Entity of Shandong Province (山東省衛生單位)	Patriotic Health Campaign Committee of Shandong Province (山東省愛國衛生運動委員會)	Shanxian Hygeia Hospital
2018	Member Entity of Oncology Specialty Alliance of Honghe Autonomous Prefecture (紅河州腫瘤專科聯盟成員單位)	Honghe Prefecture Third People's Hospital (紅河州第三人民醫院) Honghe Cancer Hospital (紅河州腫瘤醫院)	Kaiyuan Jiehua Hospital
2018 & 2017	Advanced Medical Insurance Designated Medical Institutions in Suzhou (蘇州市先進醫保定點單位)	Suzhou Municipal Healthcare Security Administration (蘇州市醫療保障局)	Suzhou Canglang Hospital
2017	Advanced Medical Insurance Department of Basic Medical Insurance Agreement Administrative Medical Institution in Shandong Province (山東省基本醫療保險協議管理醫療機構先進醫保科室)	Shandong Provincial Social Insurance Affairs Administration (山東省社會保險事業局, currently known as Shandong Provincial Social Insurance Affairs Center (山東省社會保險事業中心))	Shanxian Hygeia Hospital
2017	Advanced Group of Work Safety in Health and Family Planning System of Heze City (全市衛生計生系統安全生產工作先進集體)	Health and Family Planning Commission of Heze City (菏澤市衛生與計劃生育委員會, currently known as Health Commission of Heze City (菏澤市衛生健康委員會))	Shanxian Hygeia Hospital
2014	Advanced Entity on Clinical Quality Control in Fujian Province in 2014 (2014年度福建省臨床品質控制工作先進單位)	Fujian Provincial Center for Clinical Laboratory (福建省臨床檢驗中心)	Longyan Boai Hospital

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had (i) four trademarks registered in the PRC and three trademarks registered in Hong Kong, (ii) two registered domain names, (iii) four registered patents, and (iv) one registered copyright, which we consider to be or may be material to our business. Details of our material intellectual property rights are set forth under the section headed "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights of Our Group" in this prospectus.

We recognize the importance of our intellectual property rights and will protect and enforce our intellectual property rights we become aware of any potential infringement. During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for any material infringement of any intellectual property rights, whether as a claimant or as a defendant.

EMPLOYEES

As of December 31, 2019, we had 2,595 full-time employees, among which 52 were employees at our headquarters level and 2,543 were employees of our self-owned hospitals. The following table shows a breakdown of our employees by function as of that date:

Functions	Number of Employees	% of Employees
Headquarters level		
Management	5	0.2
Operations	9	0.3
Manufacturing	16	0.6
Administrative and others	22	0.8
Subtotal	**52**	**2.0**
Self-owned hospitals		
Physicians	550	21.2
Other medical professionals	1,253	48.3
Management, administrative and others	740	28.5
Subtotal	**2,543**	**98.0**
Total	**2,595**	**100.0**

In addition, as of December 31, 2019, our Managed Hospitals in operation had an aggregate of 269 full-time employees, including 28 physicians, 121 other medical professionals and 120 management, administrative and other personnel.

We believe we have maintained good relationships with our employees. Employees of our in-network hospitals are not represented by a labor union. As of the Latest Practicable Date, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. Each in-network hospital independently recruits and enters into employment contracts with its own employees.

We provide both in-house and external trainings for our employees to improve their skills and knowledge. Remuneration packages for our employees mainly comprise base salary and performance-related bonus. We set performance targets for our employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. We also align our interest with those of selected Directors, employees and consultant by offering them participation in the Pre-IPO Restricted Share Scheme and Pre-IPO Share Award Scheme.

We contribute to social insurance and housing provident funds for our employees in accordance with applicable PRC laws, rules and regulations, except as disclosed in "– Legal Proceedings and Compliance – Compliance."

LICENSES, PERMITS AND CERTIFICATES

We operate in a heavily regulated industry in China. We and our in-network hospitals are required to obtain various licenses, permits and certificates for our and their respective operations. Please see "Regulatory Overview – Regulations on the Management of Medical Institutions" for details of the relevant requirements.

The following table sets forth the major licenses, permits and certificates for our Group and our in-network hospitals as of the Latest Practicable Date:

	License/Permit/Certificate	Issuing Body	Effective Date (YYYY/MM/DD)	Expiration Date (YYYY/MM/DD)
Our subsidiaries				
Gamma Star Tech	Medical Device Production License (醫療器械生產許可證)	Shanghai Medical Products Administration (上海市藥品監督管理局, formerly known as Shanghai Food and Drug Administration (上海市食品藥品監督管理局)	2020/05/22	2025/05/21
	Medical Device Business License (醫療器械經營許可證)	Administration for Market Regulation of Jingan District, Shanghai (上海市靜安區市場監督管理局)	2016/11/14	2021/08/29
	Radiation Safety License (輻射安全許可證)	Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部, formerly known as Ministry of Environment Protection of the PRC (中華人民共和國環境保護部)	2020/03/13	2021/06/30
	Nuclear Material License (中華人民共和國核材料許可證)	State Administration of Science, Technology and Industry for National Defense, the PRC (國家國防科技工業局)	2018/07/07	2021/09/30
	Class III Medical Device Registration License (中華人民共和國第三類醫療器械註冊證)	National Medical Products Administration (國家藥品監督管理局, formerly known as China Food and Drug Administration (國家食品藥品監督管理總局)	2016/05/30	2021/05/29
	Class II Medical Device Business Registration Certificate (第二類醫療器械經營備案憑證)	Administration for Market Regulation of Jingan District, Shanghai	2017/09/20	N/A[1]

	License/Permit/Certificate	Issuing Body	Effective Date (YYYY/MM/DD)	Expiration Date (YYYY/MM/DD)
Jiangsu Gamma Star	Medical Device Business License	Suqian Medical Products Administration (宿遷市藥品監督管理局, formerly known as Suqian Food and Drug Administration (宿遷市食品藥品監督管理局)	2018/06/06	2023/06/05
Jiangsu Supply Chain	Medical Device Business License	Suqian Medical Products Administration (formerly known as Suqian Food and Drug Administration)	2019/03/28	2023/06/05
	Class II Medical Device Business Registration Certificate (第二類醫療器械經營備案憑證)	Suqian Medical Products Administration (formerly known as Suqian Food and Drug Administration)	2019/03/28	N/A[(1)]
Self-owned Hospitals				
Anqiu Hygeia Hospital	Medical Institution Practicing License (醫療機構執業許可證)	Health Bureau of Anqiu City (安丘市衛生健康局, formerly known as Health and Family Planning Bureau of Anqiu City (安丘市衛生和計劃生育局))	2018/07/16	2023/07/15
	Radiation Treatment License (放射診療許可證)	Health Commission of Shandong Province (山東省衛生健康委員會, formerly known as Health and Family Planning Commission of Shandong Province (山東省衛生和計劃生育委員會))	2019/08/23	2023/07/15
	Radiation Safety License	Department of Ecology and Environment of Shandong Province (山東省生態環境廳, formerly known as Department of Environment Protection of Shandong Province (山東省環境保護廳))	2018/05/18	2023/05/17

	License/Permit/Certificate	Issuing Body	Effective Date (YYYY/MM/DD)	Expiration Date (YYYY/MM/DD)
Chengwu Hygeia Hospital	Medical Institution Practicing License	Administrative Examination and Approval Service Bureau of Heze City (菏澤市行政審批服務局)	2018/12/14	2033/03/15
	Radiation Treatment License	Health Bureau of Chengwu County (成武縣衛生健康局, formerly known as Health and Family Planning Bureau of Chengwu County (成武縣衛生和計劃生育局))	2019/09/09	2033/03/15
	Radiation Safety License	Department of Ecology and Environment of Shandong Province	2018/11/16	2023/11/15
Chongqing Hygeia Hospital	Medical Institution Practicing License	Health Commission of Chongqing (重慶市衛生健康委員會, formerly known as Health and Family Planning Commission of Chongqing (重慶市衛生和計劃生育委員會))	2018/04/13	2033/04/12
	Radiation Treatment License	Health Commission of Chongqing	2019/01/31	N/A[(2)]
	Radiation Safety License	Bureau of Ecology and Environment of Chongqing (重慶市生態環境局, formerly known as Bureau of Environment Protection of Chongqing (重慶市環境保護局))	2018/09/20	2023/09/19
Heze Hygeia Hospital	Medical Institution Practicing License	Administrative Examination and Approval Service Bureau of Heze City	2019/12/26	2033/12/02
	Radiation Treatment License	Health Commission of Shandong Province (formerly known as Health and Family Planning Commission of Shandong Province)	2019/08/22	2033/12/02
	Radiation Safety License	Department of Ecology and Environment of Shandong Province (formerly known as Department of Environment Protection of Shandong Province)	2018/08/17	2023/08/16

	License/Permit/Certificate	Issuing Body	Effective Date (YYYY/MM/DD)	Expiration Date (YYYY/MM/DD)
Longyan Boai Hospital	Medical Institution Practicing License	Health Commission of Longyan City, Fujian (福建省龍岩市衛生健康委員會, formerly known as Health and Family Planning Commission of Longyan City, Fujian (福建省龍岩市衛生和計劃生育委員會))	2018/10/09	2024/10/08
	Radiation Treatment License	Fujian Provincial Health Commission (福建省衛生健康委員會, formerly known as Fujian Provincial Health and Family Planning Commission (福建省衛生和計劃生育委員會))	2019/12/09	N/A[(2)]
	Radiation Safety License	Department of Ecology and Environment of Fujian Province (福建省生態環境廳)	2019/03/15	2024/03/14
Shanxian Hygeia Hospital	Medical Institution Practicing License	Administrative Examination and Approval Service Bureau of Heze City	2020/03/18	2031/05/18
	Radiation Treatment License	Health Commission of Shandong Province (formerly known as Health and Family Planning Commission of Shandong Province)	2017/06/14	2031/05/18
	Radiation Safety License	Department of Ecology and Environment of Shandong Province (formerly known as Department of Environment Protection of Shandong Province)	2016/02/22	2021/02/21
Suzhou Canglang Hospital	Medical Institution Practicing License	Health Commission of Suzhou (蘇州市衛生健康委員會, formerly known as Health and Family Planning Commission of Suzhou (蘇州市衛生和計劃生育委員會))	2019/06/24	2034/06/23
	Radiation Treatment License	Civil affairs and Health Bureau of Gusu District, Suzhou (蘇州市姑蘇區民政和衛生健康局, formerly known as Health and Family Planning Bureau of Gusu District, Suzhou (蘇州市姑蘇區衛生和計劃生育局))	2016/12/27 2017/10/11[(3)]	N/A[(2)]

	License/Permit/Certificate	Issuing Body	Effective Date (YYYY/MM/DD)	Expiration Date (YYYY/MM/DD)
	Radiation Safety License	Bureau of Ecology and Environment of Suzhou (蘇州市生態環境局 formerly known as Bureau of Environment Protection (蘇州市環境保護局))	2017/10/20	2021/11/23
Managed Hospitals				
Handan Renhe Hospital	Medical Institution Practicing License	Health Bureau of Chengan County (成安縣衛生健康局, formerly known as Health and Family Planning Bureau of Chengan County (成安縣衛生和計劃生育局))	2015/12/30	2020/12/29
	Radiation Treatment License	Health Commission of Hebei Province (河北省衛生健康委員會, formerly known as Health and Family Planning Commission of Hebei Province (河北省衛生和計劃生育委員會) or Health Department of Hebei Province (河北省衛生廳))	2012/06/05	N/A[(2)]
	Radiation Safety License	Department of Ecology and Environment of Hebei Province (河北省生態環境廳, formerly known as Department of Environment Protection of Hebei Province (河北省環境保護廳))	2016/12/31	2021/09/30
Handan Zhaotian Hospital	Medical Institution Practicing License	Health and Family Planning Bureau of Handan City Hanshan District (邯鄲市邯山區衛生和計劃生育局)	2014/09/06	2019/09/06[(4)]
	Radiation Treatment License	Administrative Approval Bureau of Handan City (邯鄲市行政審批局)	2018/01/25	2019/09/06[(4)]
	Radiation Safety License	Department of Ecology and Environment of Hebei Province (formerly known as Department of Environment Protection of Hebei Province)	2016/09/12	2021/09/11

	License/Permit/Certificate	Issuing Body	Effective Date (YYYY/MM/DD)	Expiration Date (YYYY/MM/DD)
Kaiyuan Jiehua Hospital	Medical Institution Practicing License	Bureau of Health of Kaiyuan City (開遠市衛生健康局, formerly known as Bureau of Health and Family Planning of Kaiyuan City (開遠市衛生和計劃生育局))	2019/03/07	2024/04/02
	Radiation Treatment License (radiotherapy treatment)	Health Commission of Yunnan Province (雲南省衛生健康委員會, formerly known as Health and Family Planning Commission of Yunnan Province (雲南省衛生和計劃生育委員會))	2020/03/10	N/A(2)
	Radiation Treatment License (X-ray imaging diagnosis)	Bureau of Health of Kaiyuan City (formerly known as Bureau of Health and Family Planning of Kaiyuan City)	2019/03/26	N/A(2)
	Radiation Safety License	Department of Ecology and Environment of Yunnan Province (雲南省生態環境廳)	2020/03/12	2024/09/11

Notes:

(1) Such certificates remain valid until de-registration by us.

(2) According to local policies, such Radiation Treatment Licenses, once issued, are perpetual.

(3) Suzhou Canglang Hospital comprises two hospital campuses, each of which has obtained a separate Radiation Treatment License.

(4) Handan Zhaotian Hospital is currently under renovation and not in operation. We expect Handan Zhaotian Hospital to obtain renewed Medical Institution Practicing License and Radiation Treatment License prior to resuming its operations.

In addition to the above licenses, permits and certificates, certain of our in-network hospitals have also obtained other necessary licenses and permits such as Maternal and Child Healthcare Technical Services License (母嬰保健技術服務執業許可證) and License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證).

As of the Latest Practicable Date, Heze Hygieia Hospital had not obtained the License for Deployment of Large-scale Medical Equipment for certain of its medical equipment and had submitted all necessary application materials for such licenses. Based on consultation with the relevant government authorities, our PRC Legal Advisors have advised us that there is no material legal impediment for us to obtain such licenses.

As advised by our PRC Legal Advisors, save as disclosed in this prospectus, we and our in-network hospitals had obtained all material licenses, permits and approvals required for the current operations and such licenses, permits and approvals were valid and remain in effect as of the Latest Practicable Date.

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits and certificates prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses, permits and certificates for our business operations during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Advisors are of the view that, there is no material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable laws, regulations and rules. However, we cannot assure you that we will be able to obtain or renew such licenses, permits or certificates in the future. Please see "Risk Factors – Risks Relating to Our Business and Industry – We conduct our business in a heavily regulated industry and incur on-going compliance costs."

INSURANCE

As advised by our PRC Legal Advisors, our in-network hospitals are not required by any applicable laws or regulations of the PRC to maintain medical liability insurance. As part of our plan to evaluate the necessity of enrolling our in-network hospitals in medical liability insurance and exploring suitable insurance products for our in-network hospitals, we began to enroll Longyan Boai Hospital in medical liability insurance since November 2016 as a pilot hospital, renewable on an annual basis. The maximum amount of current coverage is RMB1 million per annum, the maximum amount of current coverage per patient is RMB260,000 and solely for legal fees, the maximum amount of current coverage is RMB20,000 per annum. During the Track Record Period, the claims we submitted under such insurance amounted to approximately RMB1.1 million. Our other in-network hospitals do not maintain any medical liability insurance and settle medical disputes against them using their internal financial resources. We do not maintain property insurance, product liability insurance, business interruption insurance or key person insurance.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

We contribute to social insurance for our employees in accordance with applicable PRC laws, rules and regulations, except as disclosed in "– Legal Proceedings and Compliance – Compliance."

Our Directors believe that the insurance coverage for our operations was adequate and was in line with industry practice as of the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our business is subject to professional and other liabilities for which we may not be insured."

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land and buildings, because as of December 31, 2019, we had no single property interest with a carrying amount of 15% or more of our total assets.

Owned Properties

As of the Latest Practicable Date, we owned land use rights to 27 parcels of land in the PRC with a total gross site area of 283,081.07 sq.m., in respect of which we occupied 32 properties with a total GFA of 205,486.57 sq.m. The following table sets forth a summary of our owned properties as of the Latest Practicable Date:

No.	Owner/Occupier	Location	Purpose	Total Site Area	Land Use Right Certificate	Total Gross Floor Area	Building Ownership Certificate
				(sq.m.)		*(sq.m.)*	
1.	Anqiu Hygeia Hospital	Anqiu, Shandong	Hospital premises	12,414.00	Yes	6,897.75	Yes
2.	Chengwu Hygeia Hospital	Chengwu, Shandong	Hospital premises	12,016.00	Yes	7,149.55	Yes
3.	Chongqing Hygeia Hospital	Shapingba District, Chongqing	Hospital premises	42,064.00	Yes	28,219.88	Yes(1)
4.	Heze Hygeia Hospital	Heze, Shandong	Hospital premises	54,693.43	Yes	52,171.86	No(1)(2)
5.	Longyan Boai Hospital	Longyan, Fujian	Hospital premises	7,114.24	Yes	24,047.85	Yes
6.	Shanxian Hygeia Hospital	Shanxian, Shandong	Hospital premises	74,134.00	Yes	72,024.23	Yes
7.	Suzhou Canglang Hospital	Suzhou, Jiangsu	Hospital premises and staff dormitories	5,548.40	Yes	14,975.45	Yes
8.	Liaocheng Hygeia Hospital	Liaocheng, Shandong	Hospital premises	75,097.00	Yes	N/A(3)	N/A(3)

Notes:

(1) As of the Latest Practicable Date, Chongqing Hygeia Hospital had not obtained the building ownership certificate for one property with a GFA of 804.1 sq.m., accounting for approximately 2.8% of its aggregate GFA. According to the completion and acceptance inspection report jointly issued by the design firm (設計單位), supervision firm (監理單位) and construction firm (施工單位) of this property and a qualified survey firm (勘察單位) approved by the relevant local authority, the quality and safety of this property are in compliance with all applicable laws, regulations and standards.

In addition, as of the Latest Practicable Date, Heze Hygeia Hospital had not obtained the building ownership certificates for seven properties with an aggregate GFA of 428.06 sq.m., accounting for approximately 0.8% of its aggregate GFA. We have engaged a qualified independent appraisal agency to review and inspect this property primarily in the areas of construction materials, main structure and utility structure, which has confirmed that this property is in conformity with the inspection requirements. Based on the above, our Directors are of the view that this property is in compliance with the all applicable safety requirements.

Our Directors believe that our use of these properties will not individually or collectively have a material adverse effect on our business, financial condition or results of operations for the following reasons: (i) these properties are not crucial to our principal business operations as they are used for canteen and other ancillary purposes and the aggregate GFA of these properties accounted for approximately 0.6% of the total GFA of our owned properties. Even if we are required to demolish or vacate from these properties, we believe we will be able to readily find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial; (ii) as of the Latest Practicable Date, we were not aware of any ownership controversy or dispute or third party claims, nor had we been imposed any administrative penalties, regarding these properties which would have a material effect on our business; and (iii) Mr. Zhu has entered into a deed of indemnity in favor of our Company (for itself and as trustee for each of our subsidiaries) to give indemnities in connection with, among other matters, any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by us relating to the matters described above. Please see "Appendix IV – Statutory and General Information – E. Other Information – 2. Indemnities" for more details about the deed of indemnity.

(2) As of the Latest Practicable Date, Heze Hygeia Hospital had not obtained the building ownership certificate for its hospital building with a GFA of 51,743.8 sq.m. According to the completion and acceptance inspection report jointly issued by the design firm (設計單位), supervision firm (監理單位) and construction firm (施工單位) of this property and a qualified survey firm (勘察單位) approved by the relevant local authority, the quality and safety of this property are in compliance with all applicable laws, regulations and standards. In addition, Heze Hygeia Hospital has obtained the fire protection acceptance (消防驗收) and environmental protection acceptance (環保驗收) for this property. Heze Hygeia Hospital is currently in the process of obtaining completion and acceptance inspection certificate for such property, after which Heze Hygeia Hospital will apply for the building ownership certificate. We expect Heze Hygeia Hospital to obtain the building ownership certificate for such property by the end of June 2020. We have consulted with Heze Municipal Bureau of Housing and Urban-Rural Development (菏澤市住房和城鄉建設局) which is the competent authority as advised by our PRC Legal Advisors for the completion and acceptance inspection of such property. Based on consultation with the relevant authority, our PRC Legal Advisors have advised us that: (i) Heze Hygeia Hospital will not be subject to any material legal impediment in obtaining such certificate; (ii) Heze Hygeia Hospital will not be imposed any administrative penalties for the use of such property and revenue generated from the use of this property will not be considered illegal income and confiscated by the relevant authority; (iii) Heze Hygeia Hospital will have the legal right to use and occupy such property upon obtaining completion and acceptance inspection certificate and the lack of building ownership certificate will not affect its use of such property; and (iv) Heze Hygeia Hospital will not be required to vacate from this property as a result of its lack of building ownership certificate.

Please see "Risk Factors – Risks Relating to Our Business and Industry – Failure to comply with PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business, financial condition and results of operations."

(3) Liaocheng Hygeia Hospital has obtained the land use rights certificate to such land parcel for the construction of its hospital premises. As of the Latest Practicable Date, Liaocheng Hygeia Hospital was in the process of obtaining other regulatory approvals for the construction and had not commenced construction.

Leased Properties

As of the Latest Practicable Date, we leased 12 properties in the PRC with a total GFA of 3,344.90 sq.m. for our production facility and offices.

As of the Latest Practicable Date, 10 of our lease agreements with an aggregate GFA of 657.28 sq.m. had not been registered with the relevant PRC authorities, primarily due to the difficulty of procuring our lessors' cooperation. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB100,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

ENVIRONMENTAL MATTERS

Our in-network hospitals are subject to various PRC laws, regulations and rules with respect to environmental matters, including disposal of medical waste and discharge of waste water, pollutants and radioactive substances. Please see "Regulatory Overview – Regulations on Environmental Protection Related to Medical Institutions" for further details. We have implemented internal policies and procedures in this regard and engaged qualified service providers to dispose of medical waste and radioactive substances. We complied with all PRC laws and regulations with respect to environmental matters in all material respects during the Track Record Period and up to the Latest Practicable Date.

For the years ended December 31, 2017, 2018 and 2019, our annual cost of compliance with environmental protection rules and regulations was approximately RMB0.5 million, RMB0.8 million and RMB1.1 million, respectively. We expect such compliance cost to increase in the future in line with the growth and expansion of our business.

LEGAL PROCEEDINGS AND COMPLIANCE

Compliance

During the Track Record Period, we failed to fully make social insurance and housing provident fund contributions for certain of our employees, which was primarily due to (i) inconsistent implementation of the PRC laws and regulations by local authorities and (ii) the relevant human resources personnel who did not fully understand the relevant requirements under the PRC laws and regulations.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations:

(i) with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts, and they may impose a maximum fine or penalty equivalent to three times the outstanding amounts if we fail to do so; and

(ii) with respect to housing provident funds, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so.

We have not historically received any notification from the relevant authorities alleging that we had not fully made social insurance and/or housing provident fund contributions, nor have we received any request for payment of any outstanding amounts by the relevant authorities. Our PRC Legal Advisors have further advised us that the risk we will be imposed any administrative penalties by the relevant authorities is remote, provided that, when ordered by the relevant authorities, we fully pay the outstanding amounts and late charges (where applicable) within the prescribed time period.

We made a provision of RMB6.9 million and RMB2.0 million for the outstanding social insurance and housing provident fund contributions, respectively, as of December 31, 2019. We have started to make social insurance and housing provident fund contributions in accordance with all applicable laws and regulations for some of these employees and expect to do so for all our employees in July 2020. In addition, we have established enhanced internal control measures in September 2019 to ensure compliance in the future. Please see "– Internal Control and Risk Management – Enhanced Internal Control Measures."

During the Track Record Period and up to the Latest Practicable Date, we were not imposed any material administrative penalties. We did not experience any material or systemic non-compliance incidents, which, taken as a whole, are likely to have a material and adverse effect on our business, financial condition or results of operations.

Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of business, which primarily included medical disputes brought by patients and/or their families against our in-network hospitals. These medical disputes are primarily related to complications and physical injuries that the patients claim to have suffered during or after receiving healthcare services at our in-network hospitals. Most of the physical injuries incurred were not material and could not have been completely avoided due to the inherent risks involved or unforeseeable conditions that may result in complications, physical injuries or even deaths of the patients. As part of our risk management and internal control procedures, our in-network hospitals have taken sufficient steps to inform their patients of these inherent risks and obtained their informed consents before performance of the relevant treatments or procedures, as appropriate. Please see "– Medical Disputes" below.

As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Medical Disputes

Resolved and Settled Medical Disputes

Due to the subjective nature of the healthcare services, our in-network hospitals occasionally encounter medical disputes brought by our patients and/or their families against us. Such medical disputes were settled through private settlement, mediation or litigation. During the Track Record Period, our in-network hospitals did not experience any medical disputes that could cause a material adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, the total amount of monetary compensation paid by our in-network hospitals to settle medical disputes was approximately RMB4.2 million.

During the Track Record Period and up to the Latest Practicable Date, our in-network hospitals experienced certain medical disputes which (i) involved a patient fatality in our in-network hospitals; or (ii) involved a patient fatality after being discharged from our in-network hospitals and a judicial appraisal adjudicating that the relevant in-network hospital was primarily or secondarily liable for such fatality:

No.	Date of Settlement	In-network Hospital Involved	Settlement Method	Background of Dispute	Judicial Appraisal	Compensation Paid by Our In-network Hospital
1.	March 2017	Longyan Boai Hospital	Litigation	Patient fatality due to deteriorating condition	Secondary liability (25% – 35%)	RMB140,682.9
2.	January 2018	Longyan Boai Hospital	Mediation	Patient fatality due to unexpected complications	Secondary liability (30%)	RMB480,000.0
3.	January 2018	Longyan Boai Hospital	Mediation	Patient fatality due to acute cardiac failure	Peer liability	RMB235,000.0
4.	November 2018	Longyan Boai Hospital	Mediation	Patient fatality during acupuncture and moxibustion treatment	Primary liability	RMB747,644.6

In each of the above medical disputes, we believe that the medical professionals have followed appropriate treatment procedures and protocols. None of the medical disputes settled by our in-network hospitals during the Track Record Period and up to the Latest Practicable Date involved any determination of medical incident (醫療事故). During the Track Record Period and up to the Latest Practicable Date, none of the physicians and other medical professionals of our in-network hospitals were involved in any disciplinary proceedings or otherwise determined to be liable for medical incident.

Unresolved Medical Disputes

The table below sets forth the details of our unresolved medical dispute as of the Latest Practicable Date:

No.	Approximate date of the relevant medical act	In-network Hospital Involved	Background of Dispute	Current status
1.	January 2019	Suzhou Canglang Hospital	A patient was diagnosed with aplastic anemia (再生障礙性貧血) by Suzhou Canglang Hospital and was admitted to hematology department. After 48 days' treatment, the patient died due to multiple organ dysfunction immediately after her discharge. The family members of the patient alleged that the fatality was due to improper treatment by Suzhou Canglang Hospital. In April 2019, the family members of the patient filed a lawsuit against Suzhou Canglang Hospital at Suzhou Gusu District People's Court (蘇州市姑蘇區人民法院).	The court requested for a judicial appraisal by the Nanjing Medical Association (南京醫學會), which adjudicated that Suzhou Canglang Hospital was at fault but there was no causation between such fault and the patient fatality. As of the Latest Practicable Date, the court had yet to reach a decision.

We will continue to monitor the development of our unresolved medical dispute and try to minimize any potential adverse effect on us. Based on the amount claimed by the plaintiff in the complaint and the latest development of our unresolved medical dispute, we estimate that the aggregate maximum exposure in relation to our unresolved medical dispute will not exceed RMB0.5 million. Our Directors are of the view that our unresolved medical dispute would not have any material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

Our internal control and risk management measures are designed to meet our specific business needs and to minimize our risk exposure. We have adopted different internal guidelines, policies and procedures to monitor and reduce the impact of risks which are relevant to our business, improve our corporate governance and ensure compliance with the applicable laws and regulations. Our Board is responsible for establishing our internal control and risk management measures and reviewing their effectiveness. We have established an audit committee which comprises one non-executive Director and two independent non-executive Directors chaired by one independent non-executive Director. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements and providing an independent view on the effectiveness of our internal control policies, financial management processes and risk management systems. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

In preparation for the Listing, we have engaged an independent internal control consultant (the "Internal Control Consultant A") to perform a review of our internal controls over financial reporting in April 2019 (the "Internal Control Review"), with the scope agreed among us, the Joint Sponsors and the Internal Control Consultant A. The Internal Control Consultant A performed the follow-up review in June 2019 to review the status of the management actions taken by us to address the findings of the Internal Control Review. In addition, we also engaged another independent internal control consultant (the "Internal Control Consultant B") in August 2019 to perform a review of our internal control measures with the scope agreed among us, the Joint Sponsors and the Internal Control Consultant B. The work scope of Internal Control Consultant A and Internal Control Consultant B, in aggregate, covers operational, financial reporting and anti-bribery compliance related controls. We had improved our internal control system and neither the Internal Control Consultant A nor the Internal Control Consultant B has raised any further recommendation in their follow up reviews.

In addition, we have adopted and implemented a series of new internal control policies as well as measures and procedures designed to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures.

Clinical Quality Control

We are subject to numerous rules and regulations that regulate the qualifications and conduct of medical professionals and standards for healthcare services in the PRC. To ensure the safety and quality of services provided by our in-network hospitals, we have established a comprehensive quality control system, comprising primarily:

- the adoption of standardized clinical practice guidelines, which complies with the 18 core procedures promulgated by the NHC to ensure healthcare service quality, including proper procedures for initial diagnosis, ward inspection, consultation, discussions of fatality cases, medical records keeping, pre-operation discussions, care of critically ill patients and shift relief system;

- the establishment of the quality control committee at our headquarters. Please see "– Management and Operation of Our In-Network Hospitals" for more details;

- the implementation of standardized protocols for handling patient complaints and medical adverse events (醫療不良事件). Please see "– Patient Complaint and Medical Adverse Event Management" for more details; and

- the implementation of centralized procurement at the headquarters level to better control the quality of the pharmaceuticals and medical consumables we procure. Please see "– Our Suppliers and Procurement" for more details.

In addition, our in-network hospitals are subject to unscheduled inspections by relevant government authorities, which reviews healthcare services provided by our in-network hospitals to determine areas that can be further improved, including the implementation of the relevant rules and procedures. During the Track Record Period, our in-network hospitals had not been notified of any material non-compliance of the 18 core procedures. None of our in-network hospitals has been found of any other material violations during the inspections conducted by the relevant government authorities, the clearance of which is a prerequisite for our in-network hospitals to renew their Medical Institution Practicing Licenses.

Patient Complaint and Medical Adverse Event Management

Our in-network hospitals occasionally receive complaints from their patients and have implemented internal guidelines to ensure each patient complaint is properly dealt with. Generally, the medical administration department of each in-network hospital works with the responsible clinical department to collect facts and respond to the complaints and seek to resolve patient complaints reasonably and amicably as soon as possible. Each in-network hospital maintains detailed records of the complaints and reports all complaints to quality control committee at our headquarters on a monthly basis.

In addition, each of our in-network hospitals have adopted a multi-tier reporting system, including detailed reporting procedures for medical adverse events, which involve deficiencies in our clinical quality and may result in adverse effects on, and medical disputes with, the patients. Under the reporting system, a medical adverse event that involves physical injuries or death that the patient suffered during or after receiving healthcare services shall be reported to the medical administration department or other functional departments, as appropriate, of the relevant in-network hospital within 24 hours, which would immediately report to the chief medical administrator, take immediate actions to investigate the incidents and work with the responsible clinical department to prevent and minimize adverse effects on the patient. Employees in violation of our reporting procedures are subject to punishment. To prevent recurring events of a similar nature, each in-network hospital holds internal discussions periodically to review major medical adverse events and implement appropriate measures for rectification. The quality control committee at our headquarters receives monthly updates medical adverse effects from our in-network hospitals.

Patient and Staff Safety

The safety of our patients and staff is of utmost importance to our operations. We have an outsourced security team responsible for the personal safety of our patients and staff while they are in our hospital premises. We also have designated personnel responsible for responding to emergency such as power outage or water leakage at our in-network hospitals. Each of our in-network hospitals has backup power generators in case of emergency power failure to ensure the proper functions of our operations, in particular those that require life-supporting systems, such as operating rooms. In addition, we have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency.

We have installed electronic security and surveillance systems at our in-network hospitals to monitor the premises and record emergency events and incidents, which may provide crucial evidence in case of disputes or investigations. We have designated personnel responsible for controlling the surveillance systems installed at our in-network hospitals.

We conduct regular sanitization to contain the potential spread of infectious diseases at our in-network hospitals. We closely monitor the prevalence of nosocomial infections at our in-network hospitals and ensure that they are maintained at very low levels in compliance with NHC standards.

We also provide periodical occupational safety education and trainings to our employees to enhance their awareness of work safety. We provide our employees with regular health assessment to monitor their overall health. In particular, we adopt stringent assessment protocols for our employees that are regularly exposed to high-risk environments such as radiation and clinical wastes to ensure their exposure is within acceptable safety limits.

In addition, we have implemented safety measures at our production facility to ensure compliance with applicable regulatory requirements and to minimize the risk of injury to employees. We have a proper system in place for recording and handling accidents. We have designated personnel responsible for handling work accidents and injuries as well as maintaining health and work safety compliance record.

We believe we are in compliance with applicable health and safety laws and regulations in all material respects, and our employees have not experienced any material health or safety accidents in the course of our operations. Save as disclosed in "– Legal Proceedings and Compliance – Legal Proceedings," we have not been subject to material claims for personal or property damages or for health or safety related compensation during the Track Record Period.

Patient Information Security

Our patient information security management mainly ensures the safe storage and usage of patient information, including personal information and medical records. Our self-owned hospitals use information technology systems to manage their patient's personal information and medical records, while our Managed Hospitals use information technology systems to manage their patients' personal information. Access to such systems is subject to security level control and authorization. Medical records of the patients at our Managed Hospitals are kept either manually or using information technology systems, and we have designated personnel responsible for the safekeeping of these medical records. During the Track Record Period, we did not experience any breach of patient confidential information or any other patient information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

Anti-Corruption Risk Management

The PRC government has recently enhanced its anti-bribery efforts to prevent improper payments and other benefits received by physicians, staff and hospital administrators in connection with the procurement of pharmaceuticals, medical consumables and medical equipment and the provision of healthcare services. We have implemented the following policies and procedures to address potential bribery and corruption incidents:

- The internal control department at our headquarters is responsible for design and implementation of our anti-bribery and corruption policies and procedures. Related policies are set forth in our employee handbook and code of conduct. We provide anti-bribery and corruption trainings to our senior management and employees.

- We have adopted policies on anti-corruption and anti-bribery, including the Rules for the Management of Anti-corruption (反舞弊管理制度) and the Rules for the Management of Anti-corruption and Anti-bribery (反腐敗、反賄賂管理制度), for our business, which, among other things, prohibits corruption and bribery acts of our employees to ensure its compliance with the applicable PRC laws and regulations, These policies aim to uphold our professional ethics and integrity to ensure that we are operating in an honest and diligent environment, acting in our shareholders' best interest, and that our employees conduct activities in an appropriate manner that complies with the applicable laws and regulations;

- Our policies on anti-corruption and anti-bribery include the features of: (i) maintaining top level commitment to adopt ethical and anti-corruption business practices; (ii) scope of the policy; (iii) policy statements against corruption in doing business; (iv) key integrity and conduct requirements for our Company's personnel; (v) activities that are considered as misconduct; (vi) whistle-blowing policy for violation of the policy on anti-corruption and bribery; and (vii) brief description of the Company's policy on anti-corruption and bribery. In preparing our policies, we strive to ensure that such policies strictly follow the suggestions and recommendations set out in the "Anti-Corruption Programme – A Guide for Listed Companies" issued by the Corruption Prevention Department of the Independent Commission Against Corruption of Hong Kong;

- Our whistle-blowing policy encourages employees to report immediately when they recognize employees within our Company engaging in suspicious activities in connection with corruption or bribery practices. If preferred, our whistle-blowing policy allows our employees to report corruption or bribery acts on an anonymous basis to our dedicated hotline and email address;

- We currently require all of our new employees to sign an anti-corruption confirmation to prevent corruption and fraudulent practices. Our existing employees are required to attend regular trainings and comply with our employee handbook in connection with the compliance with applicable laws and regulations. The confirmation ensures our employee's compliance with the applicable anti-corruption laws, including financial impropriety, improper conduct or unethical behavior, and fraudulent activities;

- We request our employees, before entering into any business, to issue a declaration on anti-commercial bribery (反商業賄賂聲明) to our suppliers, service providers and cooperation partners and inform them of our policies on anti-corruption and anti-bribery. Our contracts with the suppliers, service providers and cooperation partners are also required to include anti-bribery provisions;

- Each of our Directors is aware of the fiduciary duties of a director which require, among other things, that he/she must act for the benefit and in the best interest of the Company and must not allow any conflict between his/her duties as a director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) will be abstained from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum;

- We have a zero-tolerance policy towards acceptance of any bribes by our physicians and other medical professionals. We have established a whistle blower program, including a dedicated hotline and an email address, to receive reports of corruption charges, with the option of anonymity. Any employee found in breach of our anti-bribery and corruption policies and procedures will be dismissed.

- With respect to procurement, we have centralized the procurement of medical supplies at the headquarters level (please see "– Our Suppliers and Procurement" for more details), thereby minimizing the risk of corruption or abuse. In addition, we include anti-bribery and corruption provisions in the agreements with our suppliers and any breach of such provisions may result in penalties or disqualification.

Enhanced Internal Control Measures

In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented measures with a view to establishing and maintaining our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations. In particular:

- our Directors have attended trainings conducted by our Hong Kong legal advisor on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;

- we have instituted procedures for lines of communication and provided a process by which our employees can identify and report potential non-compliance exposures;

- we have appointed Orient Capital (Hong Kong) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; and

- we have established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

In addition, we have implemented the following internal control measures to prevent recurrence of historical non-compliance.

Social Insurance and Housing Provident Funds Related Internal Control Measures

We required all of our employees to fully participate in contributing to such funds and included such requirement in our employee handbook. We have also enhanced internal training on the relevant laws and regulations. We have assigned designated personnel to monitor the payment status and prepare monthly reports of salary and contribution amounts, which will be confirmed by the head of financial department of our relevant subsidiary and then submitted to the chief executive administrator of the relevant subsidiary for review, to ensure that we make these payments in full and on time in accordance with the relevant laws and regulations.

The following table sets forth certain information regarding our Directors and members of our senior management:

Name	Age	Position	Time of joining the Group	Date of appointment as Director or senior management	Roles and responsibilities
Directors					
Mr. Fang Min (方敏)	41	– Chairman of the Board – Non-executive Director	October 2015	– January 20, 2020 – June 3, 2019	Formulating the medium- and long-term development strategies, and supervising the implementation of the decisions of our Board
Ms. Cheng Huanhuan (程歡歡)	36	– Executive Director – Chief Executive Officer	November 2009	– June 3, 2019 – December 24, 2019	Implementing decisions of the Board, and overseeing the daily operation and management of our Group
Mr. Ren Ai (任愛)	35	– Executive Director – Senior vice president and assistant to the chairman of the Board	December 2015	– September 12, 2018 – February 19, 2016	Assisting the chief executive officer in overseeing the daily operation and management of our Group, and assisting the chairman of the Board in supervising the implementation of the decisions of the Board
Mr. Zhang Wenshan (張文山)	38	– Executive Director – Director of research & development and manufacturing	November 2009	– January 20, 2020 – January 1, 2014	Overseeing the research & development and manufacturing operations of our Group

Name	Age	Position	Time of joining the Group	Date of appointment as Director or senior management	Roles and responsibilities
Mr. Cao Yanling (曹彥淩)	36	– Non-executive Director	October 2016	– June 3, 2019	Providing strategic advice and making recommendations on financial management and business development to our Board
Mr. Zhao Yan (趙彥)	40	– Non-executive Director	September 2016	– June 3, 2019	Providing strategic advice and making recommendations on financial management and business development to our Board
Mr. Liu Yanqun (劉彥群)	63	– Independent non-executive Director	September 2019	– September 18, 2019	Providing independent opinion and judgement to our Board
Mr. Chen Penghui	48	– Independent non-executive Director	September 2019	– September 18, 2019	Providing independent opinion and judgement to our Board
Mr. Ye Changqing (葉長青)	49	– Independent non-executive Director	September 2019	– September 18, 2019	Providing independent opinion and judgement to our Board
Senior Management					
Ms. Cheng Huanhuan (程歡歡)	36	– Chief Executive Officer – Executive Director	November 2009	– December 24, 2019 – June 3, 2019	Implementing decisions of the Board, and overseeing the daily operation and management of our Group
Mr. Wang Jie (王傑)	46	– Chief Financial Officer	August 2017	– August 9, 2017	Overseeing the financial operation and risk management of our Group

Name	Age	Position	Time of joining the Group	Date of appointment as Director or senior management	Roles and responsibilities
Mr. Ren Ai (任愛)	35	– Senior vice president and assistant to the chairman of the Board – Executive Director	December 2015	– February 19, 2016 – September 12, 2018	Assisting the chief executive officer in overseeing the daily operation and management of our Group, and assisting the chairman of the Board in supervising the implementation of the decisions of the Board
Mr. Zhang Wenshan (張文山)	38	– Director of research & development and manufacturing – Executive Director	November 2009	– January 1, 2014 – January 20, 2020	Overseeing the research & development and manufacturing operations of our Group
Ms. Jiang Hui (姜蕙)	44	– Director of radiotherapy division	September 2011	– January 1, 2015	Overseeing the business operation of our in-network radiotherapy centers

DIRECTORS

Our Board is responsible for, and has general powers over, the management and operation of our business. It currently consists of nine Directors, comprising three executive Directors, three non-executive Director and three independent non-executive Directors.

The following sets forth the biographies of our Directors.

Chairman of the Board and non-executive Director

Mr. Fang Min (方敏), aged 41, was appointed as our Director on June 3, 2019, re-designated as our non-executive Director on September 18, 2019 and was appointed as the chairman of the Board on January 20, 2020. He joined our 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 our 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.

Executive Directors

Ms. Cheng Huanhuan (程歡歡), aged 36, was appointed as our Director on June 3, 2019 and was re-designated as our executive Director on September 18, 2019. Ms. Cheng has been with our Group for more than 10 years since we started our business in 2009, and was appointed as the chief executive officer of our Group on December 24, 2019, primarily responsible for implementing decisions of the Board, and overseeing the daily operation and management of our Group.

Ms. Cheng has accumulated rich experience in the daily management and operation of our Group, gained in-depth understanding in the industry where our Group operates, and built strong recognition of our 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 our 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 our Group. Ms. Cheng participated in the formulation of the development strategies of our Group and supervised the implementation of our 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 our 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.

Mr. Ren Ai (任愛), aged 35, was appointed as our Director on September 12, 2018 and was re-designated as our 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 our 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 our Group. Mr. Ren is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu.

Mr. Ren has over 12 years of working experience starting his career at several multinational corporations. Prior to joining our 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 our 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 our Group in February 2020, primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of our Group. He is also in charge of the investment and financing, supply chain management and human resources of our 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 was admitted by Shanghai Jiaotong University (上海交通大學) in September 2017 to study business administration and is currently a candidate for a master's degree in management.

Mr. Zhang Wenshan (張文山), aged 38, was appointed as our executive Director on January 20, 2020 and has been the director of research & development and manufacturing of our Group since January 2014, primarily responsible for overseeing the research, development and manufacturing operations of our Group. Prior to joining our 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 our Group in January 2014 and has been the leader of our 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.

Non-executive Directors

Mr. Cao Yanling (曹彥凌), aged 36, was appointed as our Director on June 3, 2019 and was re-designated as our non-executive Director on September 18, 2019. He joined our Group in October 2016 and is primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Mr. Cao has more than 10 years of experience in private equity investment and management. He served as a senior investment manager of General Atlantic LLC, a company primarily engaged in private equity and venture capital investment, and was responsible for development, execution and management of equity investment from December 2007 to January 2011. He is one of the founding members of Boyu Capital Holdings Limited since March 2011 and is currently serving as a partner, mainly responsible for investments in the healthcare industry. Mr. Cao served as a director of CStone Pharmaceuticals (基石藥業) (Stock Code: 2616. HK) from April 2016 to March 2017 and has been a non-executive director since May 2019. He has been a non-executive director of WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (Stock Code: 2269. HK) since May 2016. He has also been a non-executive director of Viela Bio, Inc. (Stock Code: VIE. NASDAQ) since February 2018.

Mr. Cao graduated and obtained his bachelor's degree in economics and mathematics from Middlebury College in June 2006.

Mr. Zhao Yan (趙彥), aged 40, was appointed as our Director on June 3, 2019 and was re-designated as our non-executive Director on September 18, 2019. He joined our Group in October 2016 and is primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Mr. Zhao has more than 10 years of experience in private equity investment. He served as an executive director of CITIC Capital Partners (Shanghai) Limited (鵬威投資諮詢 (上海)有限公司) from October 2008 to February 2015. He then served as an executive director of CITIC Capital Partners Advisory (Shanghai) Limited (鵬譽投資諮詢(上海)有限公司) from March 2015 to December 2016, where he has been the managing director since January 2017, responsible for private equity investment in China. From September 2015 to January 2018, he served as a director of Tianjin Guifaxiang 18th Street Mahua Food Co., Ltd. (天津桂發祥十八街麻花食品股份有限公司) (Stock Code: 002820.SZ).

Mr. Zhao obtained a bachelor's degree in engineering majoring in computer science and technology in July 2002 from Shanghai Jiaotong University (上海交通大學), where he also received his master's degree in computer application technology in March 2005.

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群), aged 63, was appointed as our independent non-executive Director on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to our 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 (徐州醫科學院)) 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. Chen Penghui, aged 48, was appointed as an independent non-executive Director of our Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to our 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.

Mr. Ye Changqing (葉長青), aged 49, was appointed as an independent non-executive Director of our Company on September 21, 2019 and is primarily responsible for providing independent opinion and judgement to our 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 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).

For details of our Directors' respective interests or short positions (if any) in our Shares, particulars of our Directors' service agreements and Directors' remuneration, please see "Appendix IV – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders" in this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, including matters relating to directorship held by our Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

Ms. Cheng Huanhuan (程歡歡), see "– Directors – Executive Directors".

Mr. Wang Jie (王傑), aged 46, was appointed as the chief financial officer of our Group on August 9, 2017 and is primarily responsible for overseeing the financial operation and risk management of our Group.

Mr. Wang has more than 20 years of experience in financial management. Prior to joining our 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. Ren Ai (任愛), see "– Directors – Executive Directors".

Mr. Zhang Wenshan (張文山), see "– Directors – Executive Directors".

Ms. Jiang Hui (姜蕙), aged 44, was appointed as the director of our radiotherapy division on January 1, 2015 and is primarily responsible for overseeing the business operation of the third party radiotherapy centers hospitals.

Ms. Jiang has more than 15 years of experience in accounting and finance management. Prior to joining our 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 August 2007. From July 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 our Group in September 2011 and was promoted as the director of our 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).

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters relating to the appointment of our senior management members that need to be brought to the attention of our Shareholders and none of our senior management members held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Ren Ai (任愛), see "– Directors – Executive Directors".

Ms. Yeung Ching Man (楊靜文), aged 34, was appointed as one of the joint company secretaries of our Group on September 21, 2019. Ms. Yeung Ching Man has been serving as a vice president of SWCS Corporate Services Group (Hong Kong) Limited since July 2018, mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, Ms. Yeung worked for KPMG, an international accounting firm and the Listing Division of the Stock Exchange for over twelve years.

Ms. Yeung obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in December 2006 and a master's degree of laws in corporate and financial law from The University of Hong Kong in December 2014. Ms. Yeung is currently a member of the Hong Kong Institute of Certified Public Accountants.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee with written terms of reference in compliance with the requirements under the Listing Rules. The audit committee consists of three members, being Mr. Ye Changqing, Mr. Fang Min and Mr. Liu Yanqun. The chairperson of the audit committee is Mr. Ye Changqing, who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the audit committee include, among others:

- reviewing our compliance, accounting policies and financial reporting procedures;

- supervising the implementation of our internal audit system;
- advising on the appointment or replacement of external auditors;
- liaising between our internal audit department and external auditors;
- other responsibilities as authorized by our Board.

Remuneration Committee

Our Company has established a remuneration committee with written terms of reference in compliance with the requirements under the Listing Rules. The remuneration committee consists of three members, being Mr. Chen Penghui, Mr. Liu Yanqun and Mr. Ren Ai. The chairperson of the remuneration committee is Mr. Chen Penghui. The primary duties of the remuneration committee include, among others,:

- making recommendations to the Board on our policy and structure concerning remuneration of our Directors and members of the senior management;
- making recommendations to the Board on the specific remuneration package of each Director and members of the senior management;
- reviewing and approving compensations payable to executive Directors and members of senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his or her misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate; and
- other responsibilities as authorized by our Board.

Nomination Committee

Our Company has established a nomination committee with written terms of reference in compliance with the requirements under the Listing Rules. The nomination committee consists of three members, being Mr. Liu Yanqun, Mr. Ren Ai and Mr. Chen Penghui. The chairperson of the nomination committee is Mr. Liu Yanqun. The primary duties of the nomination committee include, among others:

- reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of our Company;

- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

- making recommendations to the Board on relevant matters relating to the appointment and re-appointment of our Directors;

- assessing the independence of independent non-executive Directors; and

- other responsibilities as authorized by our Board.

BOARD DIVERSITY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management members receive compensation from our Company in the form of salaries, bonuses, and other benefits in kind such as contributions to pension plans.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the three years ended December 31, 2017, 2018 and 2019 were approximately RMB2.3 million, RMB6.8 million and RMB6.2 million, respectively.

The five highest paid individuals for the three years ended December 31, 2017, 2018 and 2019, included two, two and one Directors, respectively, whose remunerations are included in the aggregate amount of remuneration set out above. For the three years ended December 31, 2017, 2018 and 2019, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) for the remaining three, three and four highest paid individuals who are not Directors of our Group were approximately RMB2.6 million, RMB10.3 million and RMB10.2 million.

It is estimated that remuneration equivalent to approximately RMB2.46 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2020 based on the arrangements currently in force.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Orient Capital (Hong Kong) Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances.

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules a false market in the Shares.

The terms of the appointment of the compliance adviser will commence on the Listing Date and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 included in the Accountant's Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this prospectus.

OVERVIEW

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.

During the Track Record Period, we generated revenue primarily from (i) operating private for-profit hospitals we owned 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 held organizer's interest (舉辦人權益).

We experienced significant growth during the Track Record Period. Our revenue increased from RMB596.5 million in 2017 to RMB1,085.8 million in 2019, representing a CAGR of 34.9%. Our adjusted net profit, a non-IFRS measure, increased from RMB48.5 million in 2017 to RMB171.5 million in 2019, representing a CAGR of 88.0%. For a reconciliation of (loss)/profit and total comprehensive (loss)/income to adjusted net profit, please see "– Description of Key Consolidated Statement of Comprehensive Income Items."

We achieved substantially improved operating cash flows during the Track Record Period, with net cash generated from operating activities of RMB66.8 million, RMB159.9 million and RMB228.6 million for the years ended December 31, 2017, 2018 and 2019, respectively. We believe our improved operating cash flows were primarily attributable to network effects and synergies we have achieved as we kept expanding our network of hospitals and radiotherapy centers, which has enabled us to enhance our operating efficiency and create greater economies of scale.

We recorded negative equity of RMB302.9 million, RMB188.2 million and RMB202.6 million as of December 31, 2017, 2018 and 2019, respectively. Our negative equity position during the Track Record Period was primarily due to the significant amount of redeemable Shares which were recognized as a liability in our consolidated statements of financial position. Please see "– Key Factors Affecting Our Results of Operations – Redeemable Shares" for more details about our redeemable Shares. Upon successful Listing, such liability will be derecognized and accounted for as an increase in share capital and share premium, which we expect will reverse our negative equity position.

BASIS OF PRESENTATION

Our Company was established in the Cayman Islands on September 12, 2018 as an exempted company with limited liability. The companies now comprising the Group were under common control of Mr. Zhu immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and our consolidated financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

Our consolidated financial statements include the consolidated statements of financial position, consolidated statements of comprehensive income, changes in equity and cash flows of the companies now comprising the Group as if the existing relationship between the Company and its subsidiaries had been in existence throughout the Track Record Period or since their respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

For companies acquired from or disposed to a third party during the Track Record Period, they are included in or excluded from the financial statements of the Group from the respective date of the acquisition or disposal. Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation.

During the Track Record Period and immediately prior to our disposal of Gamma Star Industrial to an Independent Third Party in October 2018 as part of the Reorganization, Gamma Star Industrial was engaged in (i) the provision of radiotherapy-related services to certain public hospitals, namely, the Excluded Business of Gamma Star Industrial, and (ii) the provision of radiotherapy-related services primarily to private hospitals, namely, the Remaining Business of Gamma Star Industrial. The Excluded Business of Gamma Star Industrial and the business of our Group (including the Remaining Business of Gamma Star Industrial) were of different nature and were operated on a standalone basis under different management team. The financial information of the Excluded Business of Gamma Star Industrial is clearly identifiable from the financial information of our Group. Our Directors are of the view that the Excluded Business of Gamma Star Industrial has been and will be managed separately from the business of our Group both before and after the Reorganization. Therefore, during the Track Record Period and immediately prior to our disposal of Gamma Star Industrial, our consolidated financial statements included the assets, liabilities and results of operations of the Remaining Business of Gamma Star Industrial, while the assets, liabilities and results of operations of the Excluded Business of Gamma Star Industrial have been excluded in our consolidated financial statements. After our disposal, we do not consolidate the financial information of Gamma Star Industrial and the operations of the Remaining Business of Gamma Star Industrial were transferred to Gamma Star Tech and retained by our Group through assignment of contractual rights and obligations.

During the Track Record Period and immediately prior to our disposal of Gamma Star Industrial, we licensed our proprietary SRT equipment and provided maintenance and technical support services in relation to our proprietary SRT equipment to both the Excluded Business of Gamma Star Industrial and the Remaining Business of Gamma Star Industrial. The Excluded Business of Gamma Star Industrial, which was not consolidated by us, was therefore considered as one of our customers during the Track Record Period and immediately prior to our disposal of Gamma Star Industrial. After our disposal, we continued to license our proprietary SRT equipment and provide maintenance and technical support services to Gamma Star Industrial, which has been one of our customers ever since.

In preparation of our consolidated financial statements during the Track Record Period, our Directors have reviewed detailed accounting books and records of Gamma Star Industrial to identify the transactions and balances that are directly related to the Excluded Business of Gamma Star Industrial and the Remaining Business of Gamma Star Industrial, respectively, and have allocated common expenses on a reasonable basis, in order to derive the results of operations of the Remaining Business of Gamma Star Industrial during the Track Record Period. Specifically:

- Revenue was recorded by customer code and those related to the Remaining Business of Gamma Star Industrial could be specifically identified;

- Cost of revenue, mainly radiotherapy equipment licensing fees and radiotherapy center service fees, was recorded by customer code and those related to the Remaining Business of Gamma Star Industrial could be specifically identified;

- Substantially all of the selling expenses during the Track Record Period and prior to the disposal were incurred by the Remaining Business of Gamma Star Industrial. Our strategic focus has always been on developing our radiotherapy center business with private hospitals. We divested the Excluded Business of Gamma Star Industrial which was engaged in the provision of radiotherapy-related services to public hospitals. Therefore, selling expenses incurred by Gamma Star Industrial during the Track Record Period were allocated to the Remaining Business of Gamma Star Industrial in its entirety;

- Administrative expenses of Gamma Star Industrial mainly comprised employee benefits expenses, employee travel expenses and office expenses. The management team and other employees responsible for the Excluded Business of Gamma Star Industrial and the Remaining Business of Gamma Star Industrial were divided into two departments, and therefore, employee benefits expenses and employee travel expenses related to the Remaining Business of Gamma Star Industrial could be specifically identified. The majority of office expenses was recorded by department and those related to the Remaining Business of Gamma Star Industrial could be specifically identified, while the remaining portion of office expenses was considered immaterial and allocated based on revenue generated by the Remaining Business of Gamma Star Industrial and Excluded Business of Gamma Star Industrial proportionally;

- Gamma Star Industrial did not incur any bank borrowing or interest expense on bank borrowing;

- Gamma Star Industrial had been loss making and no deferred tax assets were recognized, and therefore, did not incur any income tax expenses; and

- Other operating expenses not specifically identified above were considered immaterial and allocated based on revenue generated by the Remaining Business of Gamma Star Industrial and Excluded Business of Gamma Star Industrial proportionally.

The remaining portion of office expenses and other operating expenses not specifically identified and allocated based on revenue generated by the Remaining Business of Gamma Star Industrial and Excluded Business of Gamma Star Industrial proportionally were RMB1.9 million and RMB3.0 million, respectively, for the year ended December 31, 2017 and the nine months ended September 30, 2018 before disposal.

On the basis of the foregoing, our Directors believe that the segregation of our financial information from the books and records of Gamma Star Industrial is fair and reasonable.

We own 70% equity interest in each of our self-owned hospitals and rely on the Contractual Arrangements to control the remaining equity interest in these hospitals, except for the 18.44% equity ownership interest in Shanxian Hygeia Hospital held by Shanxian ESOP Platforms. Please see "Contractual Arrangement" and "History, Reorganization and Corporate Structure – Our Corporate Development – Establishment of New Hospitals – Shanxian Hygeia Hospital" for more details. As (i) the restricted share scheme of Shanxian Hygeia Hospital is designed for the benefit of our Group and we have 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 are therefore controlled and consolidated by us when preparing the consolidated financial statements and would not give rise to non-controlling interest in our consolidated financial statements. After the Listing, we will not consolidate the Shanxian ESOP Platforms.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are key factors that affect our results of operations:

Growth of oncology healthcare service market and the overall healthcare service market in China

As a healthcare group, our results of operations and financial condition are generally affected by the overall healthcare service market condition in China. Due to increasing prevalence of chronic diseases as well as increasingly affluent and rapidly ageing population, the total revenue generated by healthcare institutions in China increased with a CAGR of 11.7% from RMB2,643.5 billion in 2014 to RMB4,111.2 billion in 2018, and is forecasted to grow further at a CAGR of 8.6% from 2019 to 2024, reaching RMB6,861.5 billion in 2024, according to Frost & Sullivan.

In particular, we have strategically focused on oncology, with revenue generated from oncology-related services accounted for 43.7%, 43.8% and 46.1%, respectively, of our total revenue for the years ended December 31, 2017, 2018 and 2019. As a result, our financial performance and results of operations are significantly affected by the growth of oncology healthcare service market in China. According to Frost & Sullivan, cancer incidence in China grew from approximately 4.0 million in 2015 to approximately 4.4 million in 2019, and is expected to grow further to approximately 5.1 million in 2025. However, due to shortage in oncology medical resources, such demand remains largely unmet. Please see "Business – Our Competitive Strengths – The largest oncology healthcare group in China, well positioned to capture the significant unmet demand" and "Industry Overview – Overview of Oncology Healthcare Service Market in China" for more details. Leveraging our market leadership, we believe that we are well positioned to capture the significant opportunities in this underserved market.

Oncology treatment technology has advanced quickly and is expected to continue to evolve. Our ability to continuously adopt the latest technological improvements quickly and cost-efficiently has a direct effect on our financial condition and results of operations. In particular, as we generate a considerable portion of revenue from radiotherapy-related services, we are subject to the risk that potentially revolutionary technological and therapeutic changes could reduce demand or even eliminate the need for radiotherapy, which may materially and adversely affect our business, financial condition and results of operations. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our business may be harmed by technological and therapeutic changes or by shifts in physicians' or patients' preferences for alternative treatments."

Expansion of our network of hospitals and radiotherapy centers

We have significantly expanded our network of hospitals and during the recent a few years by new establishments and acquisitions. In particular, we opened three self-established hospitals and acquired two hospitals between 2016 and 2018. A new hospital generally achieves normal operation in a few months, during which their operating efficiency may be lower than that of existing hospitals and after which it is expected to experience fast growth. We also incur substantial expenses before the commencement of operations of new hospitals, including construction and renovation costs as well as equipment costs, which could have a short-term negative impact on our liquidity and profitability. Monthly breakeven of a new hospital is reached when it begins to record monthly net profit. Based on our previous operating experience, generally it takes a few months for a self-established hospital to achieve monthly breakeven. The breakeven periods may be further affected by the specific characteristics of a hospital, such as its size, initial investment, the coverage of its services and the competitive landscape. Our progress in opening new hospitals from period to period may also occur at an uneven rate. As a result, our profitability may fluctuate from period to period.

In the future, we plan to continue to expand our hospital network by both organic growth and strategic acquisitions. Please see “Business – Our Future Expansion.” Expansion of our hospital network will continue to increase our revenue base and create additional network effects and synergies, which could further enhance the operating efficiencies of our in-network hospitals. However, our ability to establish or acquire and manage these additional hospitals in a cost-efficient manner determines whether and how quickly we can recover our investment, and may materially affect our revenue and profitability.

In addition, we are currently providing services to 15 hospital partners in connection with their radiotherapy centers. In return, we are generally entitled to a percentage, normally on a declining scale over the term of the agreements, of revenue generated directly from use of our proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant cooperation agreements. Please see “Business – Our Oncology-related Service Offerings – Our Third-party Radiotherapy Business” for more details. Therefore, our ability to negotiate a high contracted percentage and the profitability of these radiotherapy centers will affect our revenue and results of operations.

Number of patient visits and average spending per patient visit

The revenue generated from our hospital business, which accounted for a majority of our revenue during the Track Record Period, was a function of the number of patient visits, consisting of both inpatient and outpatient visits, and average spending per patient visit.

For the years ended December 31, 2017, 2018 and 2019, revenue generated from inpatient healthcare services represented 52.7%, 57.4% and 62.6%, respectively, of our total revenue. In the same periods, the total number of inpatient visits was 40,074, 42,040 and 59,197, respectively, and the average spending per inpatient visit was RMB7,834.6, RMB10,459.6 and RMB11,485.3, respectively. For the years ended December 31, 2017, 2018 and 2019, revenue generated from outpatient healthcare services represented 24.5%, 24.9% and 24.4%, respectively, of our total revenue. In the same periods, the total number of outpatient visits was 622,032, 689,049 and 846,374, respectively, and the average spending per outpatient visit was RMB235.3, RMB277.4 and RMB312.9, respectively.

During the Track Record Period, the number of our inpatient visits and outpatient visits increased mainly due to (i) organic growth of our existing self-owned hospitals; and (ii) newly established or acquired hospitals whose operations commenced and ramped up during the relevant period.

The fluctuations in average spending per patient visit were primarily attributable to (i) a newly established hospital whose operations commenced and ramped up during the relevant period, which had relatively higher average spending per patient visit than that of our other self-owned hospitals as it is a municipality with higher level of discretionary spending power; (ii) increases in number of patient visits for certain of our healthcare services such as orthopedics healthcare services and oncology healthcare services, which had relatively higher average spending per patient visit than that of our other healthcare services; (iii) fluctuations in guideline prices set by the relevant local health administrative authority; and (iv) lesser discounts offered as our patient base expands. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items - Revenue" for more details.

The average spending per patient visit also depends on the prices of services, pharmaceuticals and medical consumables, all of which are subject to government regulation, including those applicable to Medical Insurance Designated Medical Institutions. Please see "Business – Pricing and Payment" for more details.

Ability to control our costs and expenses

During the Track Record Period, pharmaceuticals and medical consumables represented the largest component of our cost of revenue, with cost of pharmaceuticals, consumables and other inventories accounting for 29.5%, 29.4% and 24.6%, respectively, of our revenue for the years ended December 31, 2017, 2018 and 2019. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in cost of pharmaceuticals, consumables and other inventories on our net profit for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentages)					
+15%	-19,910	-43%	-25,613	-1,059%	-31,312	-247%
+10%	-13,273	-29%	-17,075	-706%	-20,874	-164%
+5%	-6,637	-14%	-8,538	-353%	-10,437	-82%
-5%	+6,637	+14%	+8,538	+353%	+10,437	+82%
-10%	+13,273	+29%	+17,075	+706%	+20,874	+164%
-15%	+19,910	+43%	+25,613	+1,059%	+31,312	+247%

Meanwhile, employee benefits expenses constituted the second largest component of our cost of revenue and the largest component of our administrative expenses. For the years ended December 31, 2017, 2018 and 2019, our total employee benefits expenses (including those recorded in cost of revenue, selling expenses and administrative expenses) accounted for 32.5%, 32.4% and 32.0%, respectively, of our total revenue for the same periods. The number of our employees has been increasing along with the growth of our business, and the increases in the employee benefits expenses during the Track Record Period were primarily attributable to such increase in the headcount and increased compensation level in order to recruit and retain qualified medical professionals and other employees.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in employee benefits expenses on our net profit for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentages)					
+15%	-21,970	-47%	-28,493	-1,178%	-40,103	-1,659%
+10%	-14,647	-31%	-18,995	-786%	-26,736	-1,106%
+5%	-7,323	-16%	-9,498	-393%	-13,368	-553%
-5%	+7,323	+16%	+9,498	+393%	+13,368	+553%
-10%	+14,647	+31%	+18,995	+786%	+26,736	+1,106%
-15%	+21,970	+47%	+28,493	+1,178%	+40,103	+1,659%

We expect that cost of pharmaceuticals, consumables and other inventories as well as employee benefits expenses to continue to be our most significant costs and expenses going forward, particularly in light of the continued expansion and ramping up of our in-network hospitals. Our ability to control such costs and expenses may significantly affect our profitability.

Redeemable Shares

In order to further develop our business and benefit from the institutional investors' industry knowledge and experience, we introduced several Pre-IPO Investors to become our Shareholders. Please see "History, Reorganization and Corporate Structure – Pre-IPO Investments." As certain of our Pre-IPO Investors were granted the right to require our Group and Controlling Shareholders to repurchase the Shares they held if the Listing does not take place before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020) or the fifth year anniversary of the closing date of their respective Pre-IPO Investment, the equity investment by these Pre-IPO Investors are recognized as a liability at the present value of the redemption price, calculated by using effective interest method, in our consolidated statements of financial position. As of December 31, 2017, 2018 and 2019, we recorded redeemable Shares of RMB1,573.7 million, RMB1,647.7 million and RMB2,030.1 million, respectively. In addition, we recorded interest expenses in connection with such liability in our consolidated statements of comprehensive income with references to PBOC benchmark interest rates and interest rates of our historical bank borrowings, amounting to RMB65.5 million, RMB74.0 million and RMB89.3 million, respectively, for the years ended December 31, 2017, 2018 and 2019. These amounts were also credited to our consolidated statements of financial position and thus resulted in increased balance of such liability. Therefore, these interest expenses have no impact on our cash position or capital resources to us if the Listing commences prior to June 30, 2021. Upon the Listing, such liability will be derecognized and accounted for as an increase in share capital and share premium.

Share-based Compensation Expenses

During the Track Record Period, we implemented several incentive schemes to reward participants for their contribution to our development. These incentive schemes include a Pre-IPO Restricted Share Scheme recognized as the share incentive plan adopted by Gamma Star, an incentive scheme for employees of Shanxian Hygeia Hospital and a Pre-IPO Share Award Scheme adopted by our Company. Please see "History, Reorganization and Corporate Structure – Our Corporate Development – Establishment of New Hospitals – Shanxian Hygeia Hospital" and "Appendix IV – Statutory and General Information – D. Pre-IPO Share Incentive Plans" for details. Participants of these incentive schemes obtained restricted shares, share awards or restricted share units under the relevant incentive schemes at a consideration lower than the then assessed fair value, and the transactions were considered as equity-settled share-based compensation to employees. We recorded share-based compensation expenses with an aggregate amount of RMB2.3 million, RMB12.6 million and RMB10.8 million in our consolidated statements of comprehensive income for the years ended December 31, 2017, 2018 and 2019, respectively, in connection with the aforementioned incentive schemes.

In addition, in June 2017, certain of our Pre-IPO Investors purchased all the shares held by a financial investor of Gamma Star at a price higher than the assessed fair value. This was because Gamma Star agreed to increase the redemption price of such shares from the then existing shareholder's subscription price to such Pre-IPO Investors' subscription price. The excess of the consideration received by the then existing shareholder over the then assessed fair value, with a total amount of RMB24.8 million, were recognized as share-based compensation expenses in our consolidated statements of comprehensive income in 2017. Please see "History, Reorganization and Corporate Structure – Pre-IPO Investments – Principal Terms of the Pre-IPO Investments" for details about the then existing shareholder. For further details of the accounting treatment, please see Note 29 in the Accountant's Report set out in Appendix I to this prospectus.

Primarily attributable to reasons stated above, we recorded share-based compensation of RMB27.1 million, RMB12.6 million and RMB10.8 million, respectively, for the years ended December 31, 2017, 2018 and 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with IFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment.

For details of our significant accounting policies, see Note 2 in the Accountant's Report set out in Appendix I to this prospectus.

Revenue Recognition

Our revenue during the Track Record Period mainly represents proceeds from (i) hospital business; (ii) third-party radiotherapy business; and (iii) hospital management business. Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold and services provided in the ordinary course of our business, net of discounts and after elimination of inter-segment sales. We recognize revenue when (or as) a performance obligation is satisfied with present right to payment and the collection of the consideration is probable, when "control" of the goods or services underlying the particular performance obligation is transferred to our customers. "Control" of the good or service may be transferred over time or at a point in time.

Hospital Business

Our revenue from hospital business represents revenue from operating private for-profit hospitals we owned and providing inpatient healthcare services and outpatient healthcare services. For outpatient healthcare services, revenue is recognized at a point in time when the services are transferred to our patients. For inpatient healthcare services, other than the initial consultation and sale of pharmaceutical products where revenue is recognized at a point in time, revenue is recognized over a period by reference to the progress towards complete satisfaction of the relevant performance obligation, namely, when the patient simultaneously receives our services and consumes the benefits provided by our performance as we perform.

Third-party Radiotherapy Business

Pursuant to the cooperation agreements we entered into with our hospital partners in connection with their radiotherapy centers, our Radiotherapy Center Services contain more than one performance obligations, including (i) provision of radiotherapy center consulting services, (ii) licensing of our proprietary SRT equipment, and (iii) provision of maintenance and technical support services in relation to our proprietary SRT equipment. In return, we are generally entitled to a percentage of revenue generated directly from use of our proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant cooperation agreements. We allocate such consideration to each performance obligation on a relative stand-alone selling price basis.

In addition, we license our proprietary SRT equipment and provide maintenance and technical support services to certain other customers, primarily Gamma Star Industrial, in exchange for a monthly fixed service fee.

For radiotherapy center consulting services, licensing of our proprietary SRT equipment and maintenance and technical support services, revenue is generally recognized over the period in which the services are rendered based on a time-based measure of progress.

Under our third-party radiotherapy business, we also derive revenue from sales of our proprietary SRT equipment, and revenue is recognized at a point in time when such equipment is installed and accepted by our customers.

Hospital Management Business

Our revenue from hospital management business represents revenue from managing and operating, and receiving management fees from, private not-for-profit hospitals in which we hold organizer's interest. Revenue is recognized over the period in which the services are rendered based on a time-based measure of progress. We do not control our Managed Hospitals and thus do not consolidate results of these hospitals. Please see "Business – Our Hospital Management Business."

Estimated Impairment of Goodwill

For the purpose of impairment testing as of December 31, 2017, 2018 and 2019, goodwill arising from the acquisitions of Longyan Boai Hospital and Suzhou Canglang Hospital has been allocated to the operations of these two hospitals as individual cash-generating units of our Group.

The recoverable amounts of these hospitals have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by our management covering a five-year period, and a pre-tax discount rate of ranging from 19% to 20%. Cash flows beyond that five-year period are extrapolated for a 3% growth rate. Key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include revenue and costs and operating expenses. The table below sets forth (i) each key assumption that we used in our goodwill impairment testing at December 31, 2017, 2018 and 2019; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of value in use of each of Longyan Boai Hospital and Suzhou Canglang Hospital:

Longyan Boai Hospital

	Year ended December 31, 2017		
Key Assumptions	**Base case**	**Changes in key assumption**	**Surplus of recoverable amount of Longyan Boai Hospital over its carrying amount**
			RMB'000
Revenue (% compound growth rate)	19%	Decrease by 3%	161,006
Costs and operating expenses (% of revenue)	84%	Increase by 3%	159,206
Pre-tax discount rate	19.20%	Increase by 1%	177,451
Recoverable amount of Longyan Boai Hospital exceeding its carrying amount (RMB'000)	195,785		

Suzhou Canglang Hospital

	Year ended December 31, 2017		
Key Assumptions	**Base case**	**Changes in key assumption**	**Surplus of recoverable amount of Suzhou Canglang Hospital over its carrying amount**
			RMB'000
Revenue (% compound growth rate)	25%	Decrease by 3%	100,385
Costs and operating expenses (% of revenue)	85%	Increase by 3%	86,972

Suzhou Canglang Hospital

Key Assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of Suzhou Canglang Hospital over its carrying amount
	Year ended December 31, 2017		
			RMB'000
Pre-tax discount rate	19.67%	Increase by 1%	115,623
Recoverable amount of Suzhou Canglang Hospital exceeding its carrying amount (RMB'000)	132,241		

Longyan Boai Hospital

Key Assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of Longyan Boai Hospital over its carrying amount
	Year ended December 31, 2018		
			RMB'000
Revenue (% compound growth rate)	15%	Decrease by 3%	191,425
Costs and operating expenses (% of revenue)	82%	Increase by 3%	190,091
Pre-tax discount rate	19.75%	Increase by 1%	211,746
Recoverable amount of Longyan Boai Hospital exceeding its carrying amount (RMB'000)	230,934		

Suzhou Canglang Hospital

Key Assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of Suzhou Canglang Hospital over its carrying amount
	Year ended December 31, 2018		
			RMB'000
Revenue (% compound growth rate)	19%	Decrease by 3%	135,644
Costs and operating expenses (% of revenue)	83%	Increase by 3%	124,666
Pre-tax discount rate	19.69%	Increase by 1%	156,630
Recoverable amount of Suzhou Canglang Hospital exceeding its carrying amount (RMB'000)	175,718		

Longyan Boai Hospital

Key Assumptions	Base case	Changes in key assumption	Surplus of recoverable amount of Longyan Boai Hospital over its carrying amount
	Year ended December 31, 2019		
			RMB'000
Revenue (% compound growth rate)	15%	Decrease by 3%	212,386
Costs and operating expenses (% of revenue)	79%	Increase by 3%	231,503
Pre-tax discount rate	19.79%	Increase by 1%	254,817
Recoverable amount of Longyan Boai Hospital exceeding its carrying amount (RMB'000)	275,533		

Suzhou Canglang Hospital

	Year ended December 31, 2019		
Key Assumptions	**Base case**	**Changes in key assumption**	**Surplus of recoverable amount of Suzhou Canglang Hospital over its carrying amount**
			RMB'000
Revenue (% compound growth rate)	12%	Decrease by 3%	148,050
Costs and operating expenses (% of revenue)	82%	Increase by 3%	150,762
Pre-tax discount rate	19.59%	Increase by 1%	188,518
Recoverable amount of Suzhou Canglang Hospital exceeding its carrying amount (RMB'000)	206,306		

Therefore, reasonably possible changes in key assumptions would not cause the carrying amounts of these hospitals to exceed their recoverable amounts and would not lead to impairment for the years ended December 31, 2017, 2018 and 2019.

The revenue compound growth rate is based on the relevant hospital's past performance and management's expectation of market development. Costs and operating expenses as a percentage of revenue is based on current margin levels, with adjustment made to reflect the expected future price increases in labor, rental and relevant equipment, which our management does not expect to be able to pass on to our customers.

In accordance with IAS 36 Paragraph 55, the discount rate shall be a pre-tax rate that reflects current market assessments of (a) the time value of money and (b) the risks specific to the relevant hospital. Therefore, the future cash flows used in value-in-use calculations to assess the goodwill impairment of Longyan Boai Hospital and Suzhou Canglang Hospital did not include income tax receipts or payments, and thus our management used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the relevant hospital.

Estimated Impairment of Contractual Rights to Provide Management Services

Contractual rights to provide management services represent the consideration we paid for acquisition of organizer's interest in Handan Renhe Hospital, Handan Zhaotian Hospital and Kaiyuan Jiehua Hospital. We amortize the contractual rights to provide management services using the straight-line method over the term of our hospital management agreements of 40 years. As the contractual rights to provide management services to Handan Zhaotian Hospital suffered impairment in the past and it is currently under renovation and is expected to resume its operations by the end of 2020, we performed impairment testing accordingly.

The recoverable amount of contractual rights to provide management services have been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by the management of Handan Zhaotian Hospital covering its remaining management service period, and a pre-tax discount rate of ranging from 15.42% to 15.63%. The pre-tax discount rate remained relatively stable because the performance of Handan Zhaotian Hospital was generally in line with our management's expectations and the industry and regulatory environment where it operated remained largely stable during the Track Record Period.

The table below sets forth (i) each key assumption that we used in our impairment testing on contractual rights to provide management services at December 31, 2017, 2018 and 2019; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of value in use of each of Handan Zhaotian Hospital:

	Years ended December 31,		
	2017	**2018**	**2019**
Management service fee (% compound growth rate)	N/A[(1)]	43%	N/A[(1)]
Long-term growth rate	3%	3%	3%
Pre-tax discount rate	15.42%	15.53%	15.63%
Recoverable amount of the management service fee exceeding its carrying amount (RMB'000)	352	2,894	2,368

Note:

(1) In 2017, we waived Handan Zhaotian Hospital's management fees as it was at the initial stage of operations in 2017 with a small revenue base and high operating costs. In addition, Handan Zhaotian Hospital commenced renovation in December 2018 and is expected to resume its operations by the end of 2020. Therefore, we did not receive any management service fee from Handan Zhaotian Hospital for the years ended December 31, 2017 and 2019.

Considering the anticipated substantially improved performance of Handan Zhaotian Hospital after it resumes operations, we did not record any impairment charge on contractual rights to provide management services during the Track Record Period.

Fair Value of Financial Assets

We have purchased wealth management products during the Track Record Period as disclosed in Note 17 to the Accountant's Report set out in Appendix I to this prospectus. Our management estimates the expected return of the wealth management products after taking various factors into consideration including, among others, the institutions which issued those wealth management products and the returns of comparable wealth management products on the market. The fair value of such wealth management products is based on discounted cash flow after considering the expected return our management estimates and is within level 3 of the fair value hierarchy.

In relation to the valuation of our financial asset at fair value through profit or loss, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the wealth management products we purchased; (ii) built up a team that manages the annual valuation of the wealth management products; and (iii) carefully considered all information available and applied various applicable valuation techniques in determining the valuation of the wealth management products, including discounted cash flow approach. Based on the above procedures, our Directors are of the view that the valuation of the wealth management products we purchased is fair and reasonable, and our financial statements have been properly prepared.

Details of the fair value measurement of the financial assets, particularly the valuation techniques and key inputs, including significant unobservable inputs, are disclosed in Note 3.3 to the Accountant's Report set out in Appendix I to this prospectus. The Reporting Accountants' opinion on our historical financial information during the Track Record Period as a whole is set out on page I-2 of the Accountant's Report set out in Appendix I to this prospectus.

The Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of product specifications for the wealth management products that were outstanding as of December 31, 2017, 2018 and 2019 to understand their terms; (ii) review of relevant notes in the Accountants' Report as contained in Appendix I; and (iii) discussed with the Company and the Reporting Accountants about the key basis and assumptions for the valuation of wealth management products. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the Directors.

Adoption of IFRS 9, IFRS 15 and IFRS 16

We have adopted a full retrospective application of IFRS 9, IFRS 15 and IFRS 16, which we have applied on a consistent basis throughout the Track Record Period. We have assessed the effect of adopting IFRS 9, IFRS 15 and IFRS 16 on our historical financial information and identified the following areas that have been affected:

IFRS 9

IFRS 9 "Financial Instruments" replaces IAS 39 and requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses. The adoption of expected credit loss model under IFRS 9 did not have a material impact on the impairment loss allowance for our financial assets measured at amortized cost during the Track Record Period as compared with the incurred loss model under IAS 39.

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" replaces IAS 18 and requires separate presentation of contract assets and contract liabilities in the balance sheet. This has resulted in some reclassifications in relation to our unsatisfied performance obligations. As of December 31, 2017, 2018 and 2019, our contract liabilities of RMB12.8 million, RMB13.0 million and RMB9.9 million, respectively, should have been presented as deferred revenue in our balance sheet if IAS 18 was applied throughout the Track Record Period.

IFRS 16

IFRS 16 "Leases" provides new provisions for the accounting treatment of leases and requires lessees to recognize certain leases on the statements of financial position. Specifically, for any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset in our consolidated statements of financial position and depreciation of the right-of-use asset is recognized over the lease term on a straight-line basis in our consolidated statements of comprehensive income. In addition, we record a lease liability representing our obligation to make lease payments based on present value, calculated by using the effective interest method, in our consolidated statements of financial position and finance costs on the lease liability is recognized in our consolidated statements of comprehensive income. As of December 31, 2017, 2018 and 2019, we recorded right-of-use assets of RMB204.5 million, RMB191.7 million and RMB189.6 million, respectively, and lease liabilities of RMB9.2 million, RMB0.1 million and RMB2.6 million, respectively, in our consolidated statements of financial position. For the years ended December 31, 2017, 2018 and 2019, we recorded depreciation of right-of-use assets of RMB6.3 million, RMB6.5 million and RMB5.8 million, respectively, and finance costs on lease liabilities of RMB0.6 million, RMB0.4 million and RMB0.2 million, respectively, in our consolidated statements of comprehensive income.

Based on the foregoing, the adoption of IFRS 9, IFRS 15 and IFRS 16 did not have any significant impact on our financial position as of December 31, 2017, 2018 and 2019 or our results of operations during the Track Record Period.

DESCRIPTION OF KEY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ITEMS

The following table sets forth selected consolidated statement of comprehensive income items for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Revenue	596,480	766,142	1,085,826
Cost of revenue	(427,172)	(527,407)	(755,706)
Gross profit	169,308	238,735	330,120
Selling expenses	(34,713)	(32,781)	(15,419)
Administrative expenses	(97,504)	(101,574)	(136,272)
Other income	3,772	4,150	4,895
Other gains/(losses) – net	7,524	(2,988)	(9,117)
Operating profit	48,387	105,542	174,207
Finance income	411	175	629
Finance costs	(73,537)	(78,454)	(95,516)
Finance costs – net	(73,126)	(78,279)	(94,887)
(Loss)/profit before income tax	(24,739)	27,263	79,320
Income tax expense	(21,771)	(24,845)	(39,553)
(Loss)/profit for the year	(46,510)	2,418	39,767
Non-IFRS Measures			
Adjusted EBITDA	119,661	171,475	287,940
Adjusted net profit	48,539	93,386	171,542

To supplement our consolidated statements of comprehensive income which are presented in accordance with IFRS, we also use EBITDA, adjusted EBITDA and adjusted net profit as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparison of operating performance from year to year by eliminating potential impacts of items that we do not consider to be indicative of our operating performance.

We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated statements of comprehensive income in the same manner as they help our management. However, our presentation of EBITDA, adjusted EBITDA and adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of comprehensive income or financial condition as reported under IFRS.

There are two components to the adjusted EBITDA metric: (1) EBITDA, which we define as (loss)/profit before income tax plus finance costs, depreciation of property, plant and equipment, and amortization of intangible assets, less finance income and (2) adjustments to EBITDA, which includes items which are non-recurring or extraordinary, including share-based compensation expenses, expenses in relation to the Listing and fair value loss for anti-dilution rights given to Mr. Zhu.

We define adjusted net profit as (loss)/profit and total comprehensive (loss)/income for the year adjusted for items which are non-recurring or extraordinary, including share-based compensation expenses, interest expense of redeemable Shares, expenses in relation to the Listing and fair value loss for anti-dilution rights given to Mr. Zhu. In particular, interest expense of redeemable Shares and fair value loss for anti-dilution rights given to Mr. Zhu will not recur after the Listing as upon the Listing, the redeemable Shares will be derecognized and the anti-dilution rights given to Mr. Zhu will expire. Please see "– Key Factors Affecting Our Results of Operations – Redeemable Shares."

The following table shows our EBITDA, adjusted EBITDA and adjusted net profit for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
(Loss)/profit before income tax	(24,739)	27,263	79,320
Adjustments:			
Finance costs	73,537	78,454	95,516
Depreciation of property, plant and equipment	38,968	45,868	67,136
Amortization of intangible assets	2,717	3,062	4,146
Finance income	(411)	(175)	(629)
EBITDA	90,072	154,472	245,489
Adjustments:			
Share-based compensation expenses	27,084	12,629	10,785
Fair value loss for anti-dilution rights given to Mr. Zhu	2,505	2,074	11,355
Expenses in relation to the Listing	–	2,300	20,311
Non-IFRS measure – adjusted EBITDA	119,661	171,475	287,940
(Loss)/profit and total comprehensive (loss)/income for the year	(46,510)	2,418	39,767
Adjustments:			
Share-based compensation expenses	27,084	12,629	10,785
Interest expense of redeemable Shares	65,460	73,965	89,324
Fair value loss for anti-dilution rights given to Mr. Zhu	2,505	2,074	11,355
Expenses in relation to the Listing	–	2,300	20,311
Non-IFRS measure – adjusted net profit	48,539	93,386	171,542

Share-based compensation expenses, interest expense of redeemable Shares and fair value loss for anti-dilution rights given to Mr. Zhu are recorded in accordance with the relevant accounting standards and did not involve any cash outflow and are therefore regarded as non-cash items. In particular, the interest expense of redeemable Shares is accrued in accordance with the terms of the relevant Pre-IPO Investments, and the fair value loss for anti-dilution rights given to Mr. Zhu represents fair value changes of the anti-dilution rights with respect to 5% equity interest in Gamma Star granted to Mr. Zhu. Please see "– Key Factors Affecting Our Results of Operations – Redeemable Shares," "– Key Factors Affecting Our Results of Operations – Share-based Compensation Expenses" and "– Description of Key Consolidated Statement of Comprehensive Income Items – Other Gains/(Losses) – Net" for more details.

Revenue

During the Track Record Period, we generated our revenue primarily from (i) operating private for-profit hospitals we owned and providing 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 held organizer's interest. Please see "Business – Our Business Model" for more details.

Revenue by Service Offerings

The following table sets forth our revenue by service offerings for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Hospital Business						
Outpatient healthcare services	146,338	24.5	191,150	24.9	264,834	24.4
Inpatient healthcare services	313,965	52.7	439,722	57.4	679,893	62.6
Sub-total	460,303	77.2	630,872	82.3	944,727	87.0
Third-party Radiotherapy Business						
Radiotherapy center consulting services	34,842	5.8	45,491	5.9	46,237	4.3
Radiotherapy equipment licensing	48,369	8.1	49,134	6.4	49,844	4.6
Radiotherapy equipment maintenance services	33,278	5.6	34,297	4.6	31,699	2.9
Radiotherapy equipment sales	18,616	3.1	–	–	7,080	0.6
Sub-total	135,105	22.6	128,922	16.9	134,860	12.4
Hospital Management Business	1,072	0.2	6,348	0.8	6,239	0.6
Total	596,480	100.0	766,142	100.0	1,085,826	100.0

Our revenue generated from our hospital business is primarily driven by the number of patient visits and average spending per patient visit in the relevant periods. The following table sets forth the number of patient visits and average spending per patient visit of our hospital business for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
Inpatient healthcare services			
Number of inpatient visits	40,074	42,040	59,197
Average spending per inpatient visit (RMB)	7,834.6	10,459.6	11,485.3
Outpatient healthcare services			
Number of outpatient visits	622,032	689,049	846,374
Average spending per outpatient visit (RMB)	235.3	277.4	312.9

Revenue from inpatient healthcare services increased by 40.0% to RMB439.7 million for the year ended December 31, 2018 from RMB314.0 million for the year ended December 31, 2017, and further increased by 54.6% to RMB679.9 million for the year ended December 31, 2019, which was due to increases in (i) number of inpatient visits and (ii) average spending per inpatient visit. The number of inpatient visits increased by 4.9% to 42,040 for the year ended December 31, 2018 from 40,074 for the year ended December 31, 2017, and further increased by 40.8% to 59,197 for the year ended December 31, 2019, primarily due to (i) organic growth of our existing self-owned hospitals; and (ii) newly established or acquired hospitals which commenced operations in the relevant period, mainly Chongqing Hygeia Hospital and Heze Hygeia Hospital. The average spending per inpatient visit increased by 33.5% to RMB10,459.6 for the year ended December 31, 2018 from RMB7,834.6 for the year ended December 31, 2017, primarily due to (i) Chongqing Hygeia Hospital which commenced operations in April 2018 and had relatively higher average spending per patient visit than that of our other self-owned hospitals as Chongqing is a municipality with higher level of discretionary spending power; (ii) an increase in the average spending per inpatient visit of Longyan Boai Hospital mainly attributable to increases in number of inpatient visits for certain of our healthcare services such as orthopedics healthcare services and oncology healthcare services, which had relatively higher average spending per patient visit than that of our other healthcare services; and (iii) an increase in the average spending per inpatient visit of Shanxian Hygeia Hospital mainly attributable to the increased guideline prices for surgeries set by the relevant local healthcare administrative authority. The average spending per inpatient visit increased by 9.8% to RMB11,485.3 for the year ended December 31, 2019 from RMB10,459.6 for the year ended December 31, 2018, primarily due to (i) an increase in average spending per inpatient visit of Suzhou Canglang Hospital mainly attributable to an increase in inpatient visits for orthopedics surgeries, which had relatively higher average spending per patient visit than that of our other healthcare services; (ii) an increase in average spending per inpatient visit of Heze Hygeia Hospital as Heze Hygeia Hospital commenced operations in December 2018 and did not start to provide certain healthcare services, such as radiotherapy treatment services, until 2019, which had relatively higher average spending per patient visit than that of our other healthcare services. The increase was partially offset by a decrease in average spending per inpatient visit of Chonqing Hygeia Hospital, primarily due to (i) decreased guideline prices for treatment of oncology patients set by the relevant healthcare administrative authority; and (ii) measures we took in 2019 to improve the operational efficiency of Chongqing Hygeia Hospital by reducing average length of stay of inpatients and increasing bed turnover rates.

Revenue from outpatient healthcare services increased by 30.6% to RMB191.1 million for the year ended December 31, 2018 from RMB146.3 million for the year ended December 31, 2017, and further increased by 38.6% to RMB264.8 million for the year ended December 31, 2019, which was due to increases in (i) number of outpatient visits and (ii) average spending per outpatient visit. The number of outpatient visits increased by 10.8% to 689,049 for the year ended December 31, 2018 from 622,032 for the year ended December 31, 2017, and further increased by 22.8% to 846,374 for the year ended December 31, 2019, primarily due to the same reasons for the increase in number of inpatient visits stated above. The average spending per outpatient visit increased by 17.9% to RMB277.4 for the year ended December 31, 2018 from RMB235.3 for the year ended December 31, 2017, primarily due to (i) Chongqing Hygeia Hospital which commenced operations in April 2018 and had relatively higher average spending per patient visit than that of our other self-owned hospitals as Chongqing is a municipality with higher level of discretionary spending power; and (ii) an increase in average spending per outpatient visit of Shanxian Hygeia Hospital, mainly attributable to lesser discounts offered by Shanxian Hygeia Hospital on its outpatient healthcare services in 2018 as its patient base expands. The average spending per outpatient visit increased by 12.8% to RMB312.9 for the year ended December 31, 2019 from RMB277.4 for the year ended December 31, 2018, primarily due to an increase in average spending per outpatient visit of Chongqing Hygeia Hospital mainly attributable to (i) commencement of operations of Chongqing Hygeia Hospital in April 2018 as stated above; and (ii) an increase in outpatient visits for oncology healthcare services which had relatively higher average spending per patient visit than that of our other healthcare services.

Revenue by Our In-Network Hospitals

During the Track Record Period, we had 11 in-network hospitals in operation. The following table sets forth the contribution of each in-network hospital to our revenue for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Self-owned hospitals						
Shanxian Hygeia Hospital	207,782	34.8	247,204	32.3	283,337	26.1
Suzhou Canglang Hospital	117,937	19.8	162,420	21.2	229,850	21.2
Longyan Boai Hospital	116,141	19.5	148,244	19.3	165,543	15.2
Chongqing Hygeia Hospital	–	–	48,872	6.4	170,317	15.7
Chengwu Hygeia Hospital	11,670	2.0	18,332	2.4	30,445	2.8
Qufu Hospital(1)	6,773	1.1	4,590(1)	0.6	–	–
Anqiu Hygeia Hospital	–	–	337	0.04	3,729	0.3
Heze Hygeia Hospital	–	–	873	0.1	61,506	5.7
Total revenue of hospital business	460,303	77.2	630,872	82.3	944,727	87.0
Managed Hospitals						
Handan Renhe Hospital(2)	219	0.04	1,905	0.2	1,991	0.4
Kaiyuan Jiehua Hospital(2)	853	0.2	4,315	0.6	4,248	0.2
Handan Zhaotian Hospital(2)(3)	–	–	128	0.02	–	–
Total revenue of hospital management business	1,072	0.2	6,348	0.8	6,239	0.6

Notes:

(1) As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018, and therefore, for the year ended December 31, 2018, we only consolidated the revenue from Qufu Hospital prior to October 1, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

(2) Revenue we generated from our Managed Hospitals does not include revenue generated from provision of Radiotherapy Center Services to our Managed Hospitals. Please see "Business – Our Network of Hospitals and Radiotherapy Centers – Our Network of Radiotherapy Centers."

(3) Pursuant to the hospital management agreement we entered into with Handan Zhaotian Hospital, we have agreed to waive its management fees in 2017. Handan Zhaotian Hospital commenced renovation in December 2018 and is expected to resume its operations by the end of 2020.

Cost of Revenue

Our cost of revenue primarily consists of cost of pharmaceuticals, consumables and other inventories, employee benefit expenses, radiotherapy center service fees, depreciation and amortization, consultancy and professional service fees, utilities, cleaning and gardening expenses, repair and maintenance expenses, as well as travelling, entertainment, vehicle and office expenses. The following table sets forth a breakdown of our cost of revenue for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Cost of pharmaceuticals, consumables and other inventories	175,712	41.1	224,902	42.6	267,031	35.3
Employee benefits expenses	136,190	31.9	188,378	35.7	286,886	38.0
Radiotherapy center service fees	34,435	8.1	46,115	8.7	62,049	8.2
Depreciation and amortization	29,580	6.9	35,092	6.7	51,363	6.8
Utilities, cleaning and gardening expenses	9,491	2.2	13,335	2.5	19,413	2.6
Consultancy and professional service fees	20,323	4.8	1,808	0.3	37,682	5.0
Repair and maintenance	4,577	1.1	1,835	0.3	2,590	0.3
Travelling, entertainment, vehicle and office expenses	2,260	0.5	4,385	0.8	7,929	1.0
Others[1]	14,604	3.4	11,557	2.4	20,763	2.8
Total	427,172	100.0	527,407	100.0	755,706	100.0

Note:

(1) Others primarily comprise taxation expenses and rental expenses.

Cost of pharmaceuticals, consumables and other inventories primarily represents the cost of procuring pharmaceuticals and medical consumables by our self-owned hospitals.

Employee benefits expenses mainly consist of the salaries, bonuses, share-based compensation expenses, pension and other social security and welfare of the full-time physicians and other medical professionals of our self-owned hospitals.

Radiotherapy center service fees primarily represent the cost of engaging Independent Third Party service providers to promote our proprietary SRT equipment, radiotherapy centers of our self-owned hospitals and our in-network radiotherapy centers. Please refer to "Business – Sales and Marketing" for details.

Depreciation and amortization primarily comprise depreciation of medical equipment and properties used as hospital premises as well as amortization of contractual rights to provide management services and medical licenses.

Consultancy and professional service fees primarily comprise remuneration of part-time physicians of our self-owned hospitals and professional service fee paid to third-party consultants in 2017 in connection with early termination of cooperation with certain business partners of Suzhou Canglang Hospital.

In particular, as of December 31, 2017, 2018 and 2019, we engaged 27, 13 and 99 part-time physicians, respectively, primarily for Suzhou Canglang Hospital and Longyan Boai Hospital, and the total amount of remuneration paid to our part-time physicians during the same periods were RMB6.2 million, RMB0.9 million and RMB31.5 million, respectively. The per head remuneration paid to part-time physicians by Suzhou Canglang Hospital remained relatively stable in 2017 and 2019, which was in line with the stable revenue generated by each part-time physician. Suzhou Canglang Hospital did not engage any part-time physicians in 2018 as we were in the process of evaluating how to strike a proper balance between cultivating our team of full-time medical experts and engaging part-time physicians. We therefore strategically suspended Suzhou Canglang Hospital's engagement of part-time physicians in this regard and explored tentative cooperation only at Longyan Boai Hospital in 2018. For Longyan Boai Hospital, the per head remuneration paid to part-time physicians increased throughout the Track Record Period, which was consistent with the rise in revenue generated by each part-time physician engaged by Longyan Boai Hospital. For more details about our part-time physicians, please see "Business – Medical Professionals."

Before our acquisition in December 2015, Suzhou Canglang Hospital had cooperated with three business partners in delivering different services to its patients. Through our further observation after the acquisition, we discovered that they did not have a strong sense of service quality, which may result in potential damage of our reputation. We attempted to terminate Suzhou Canglang Hospital's cooperation with these three business partners, which were independent from each other, but were not successful. We made efforts to identify and secure one consultant which was capable of negotiating with three business partners in one go, but did not manage to do so in a short period of time. Therefore, we considered it necessary and more efficient to engage three third-party consultants who had established connections and were in close interaction with the three business partners to negotiate with them on our behalf simultaneously.

The three third-party consultants were primarily engaged in provision of consultancy services and facilitation of commercial negotiation with registered capital of RMB5.0 million, RMB20.0 million and RMB20.0 million, respectively. The role of the three third-party consultants was to negotiate with the three business partners on our behalf to terminate the cooperation with them. In return, we agreed to pay each of them a lump sum of RMB4.6 million, RMB3.1 million and RMB3.2 million, respectively, which were paid to them after the successful termination of cooperation with the three business partners. The three third-party consultants were responsible for agreeing with the three business partners on the amount of compensation they would accept to terminate the cooperation, which was paid out of the above lump sum paid to these three third-party consultants, and kept the balance as their remuneration. The three business partners finally agreed to cease the cooperation in return for the compensation, but they declined to enter into any written agreement for the termination arrangement. As the compensation to each business partner was determined as a result of the negotiation between the business partner and the relevant consultant which we did not participate in (but capped by the respective lump sum paid to each consultant), we had no information about the exact amount of compensation paid to each business partner. Despite the lack of written agreements on the termination of cooperation, as (i) we had no other payment obligations to the three business partners or the three third-party consultants other than the lump sum paid to these three third-party consultants; and (ii) we have not encountered any dispute with any of the business partners since the termination of cooperation and up to now, our Directors are of the view that ceasing the cooperation with such business partners by Suzhou Canglang Hospital without any written agreement has no material impact on us.

Our PRC Legal Advisors are of the view that the payment of remuneration to our part-time physicians does not violate any applicable PRC laws and regulations and the services provided by the third-party consultants are not prohibited by any PRC laws and regulations. According to Frost & Sullivan, it is an industry norm for medical institutions (i) to engage part-time physicians to further expand their team of medical professionals and benefit from such physicians' experience and expertise; and (ii) to engage third-party consultants for the aforementioned services, namely, assisting in resolving business disputes. Save as disclosed in this prospectus, none of the part-time physicians or third-party consultants has any other past or present relationships (including business, financing, trust, employment or otherwise) with any member of our Group, their shareholders, directors, senior management or any of their respective associates.

Consultancy and professional service fees recognized as cost of revenue also include (i) payments in connection with the upgrading and optimizing of our proprietary SRT equipment and treatment planning system, (ii) payments for certain medical examinations and (iii) payments for trainings to our physicians and other medical professionals.

For the years ended December 31, 2017, 2018 and 2019, our cost of revenue were RMB427.2 million, RMB527.4 million and RMB755.7 million, respectively. The continued increase in our cost of revenue was primarily due to (i) the increase in employee benefits expenses mainly attributable to increased headcount and compensation level; (ii) the increase in cost of pharmaceuticals, consumables and other inventories, which was in line with the increases in the number of our patient visits; and (iii) the increase in radiotherapy center service fees, which was mainly due to the increased popularity of our proprietary SRT equipment in our in-network hospitals and radiotherapy centers.

The increase in our cost of revenue from RMB427.2 million for the year ended December 31, 2017 to RMB527.4 million for the year ended December 31, 2018 was partially offset by a decrease in consultancy and professional service fees of RMB18.5 million, primarily due to professional service fee we paid to three third-party consultants in 2017 as stated above.

The increase in our cost of revenue from RMB527.4 million for the year ended December 31, 2018 to RMB755.7 million for the year ended December 31, 2019 was also attributable to (i) an increase in consultancy and professional service fees of RMB35.9 million mainly attributable to increased headcount and compensation level of part-time physicians; (ii) an increase in depreciation and amortization of RMB16.3 million, mainly attributable to commencement of operations of Chongqing Hygeia Hospital and Heze Hygeia Hospital in 2018.

Gross Profit

Our gross profit consists of our revenue less cost of revenue. For the years ended December 31, 2017, 2018 and 2019, our gross profit was RMB169.3 million, RMB238.7 million and RMB330.1 million, respectively. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. For the years ended December 31, 2017, 2018 and 2019, our gross profit margin was 28.4%, 31.2% and 30.4%, respectively.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin by Service Offerings

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by service offerings for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000, except percentages)					
Hospital Business	86,847	18.9%	156,731	24.8%	238,754	25.3%
Third-party Radiotherapy Business	83,229	61.6%	77,701	60.3%	87,064	64.6%
Hospital Management Business	(768)	(71.6)%	4,303	67.8%	4,302	69.0%
Total	169,308	28.4%	238,735	31.2%	330,120	30.4%

The gross profit margin of our hospital business increased from 18.9% for the year ended December 31, 2017 to 24.8% for the year ended December 31, 2018, primarily due to our enhanced operating efficiency and greater economies of scale we enjoyed due to increased number of patient visits. The gross profit margin of our hospitals business remained relatively stable at 24.8% for the year ended December 31, 2018 and 25.3% for the year ended December 31, 2019.

The gross profit margin of our third-party radiotherapy business remained relatively stable at 61.6% for the year ended December 31, 2017 and 60.3% for the year ended December 31, 2018, and increased to 64.6% for the year ended December 31, 2019, primarily due to substantially improved margin performance of one of our in-network radiotherapy centers in 2019. We recorded a relatively high gross profit margin for our third-party radiotherapy business during the Track Record Period, primarily due to our vertically integrated radiotherapy service model. With our proprietary SRT equipment, we avoid incurring substantial amount of costs in connection with purchasing or leasing third-party equipment.

We recorded gross profit margin of our hospital management business of 67.8% for the year ended December 31, 2018, compared to gross loss margin of 71.6% for the year ended December 31, 2017, primarily due to an increase in the management fee rate in 2018 to be in line with industry level. The gross profit margin of our hospital management business remained relatively stable at 67.8% for the year ended December 31, 2018 and 69.0% for the year ended December 31, 2019.

Gross Profit/Loss and Gross Profit/Loss Margin by Our Self-owned Hospitals

The following table sets forth a breakdown of our gross profit/loss and gross profit/loss margin by each of our self-owned hospitals for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	(RMB'000, except percentages)					
Shanxian Hygeia Hospital	37,846	18.2%	63,664	25.8%	80,693	28.5%
Suzhou Canglang Hospital	18,466	15.7%	48,459	29.8%	52,225	22.7%
Longyan Boai Hospital	27,775	23.9%	40,959	27.6%	46,227	27.9%
Chongqing Hygeia Hospital	–	–	2,335	4.8%	49,996	29.4%
Chengwu Hygeia Hospital	2,804	24.0%	4,654	25.4%	7,444	24.5%
Qufu Hospital(1)	(43)	(0.6)%	(875)	(19.1)%	–	–
Anqiu Hygeia Hospital	–	–	(943)	(280.0)%	(822)	(22.0)%
Heze Hygeia Hospital	–	–	(1,522)	(174.3)%	2,991	4.9%
Total gross profit of hospital business	86,847	18.9%	156,731	24.8%	238,754	25.3%

Notes:

(1) As part of our Reorganization, we disposed of our entire equity interest in Qufu Hospital to an Independent Third Party on October 15, 2018, and therefore, for the year ended December 31, 2018, we only consolidated the gross profit from Qufu Hospital prior to October 1, 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

The gross profit margins of our self-owned hospitals vary due to various factors, such as the number of outpatient and inpatient visits they provided, and their respective locations, development stages and business focus.

The gross profit margin of Chongqing Hygeia Hospital increased significantly from 4.8% in 2018 to 29.4% in 2019, the gross loss margin of Anqiu Hygeia Hospital decreased significantly from 280.0% in 2018 to 22.0% in 2019, and Heze Hygeia Hospital recorded a gross profit margin of 4.9% in 2019, compared to gross loss margin of 174.3% in 2018, primarily because these three hospitals commenced operations in April 2018, July 2018 and December 2018, respectively. New hospitals generally have lower income and higher operating costs and therefore may record gross loss margin or have relatively low gross profit margin during the initial stages of their operations.

The gross profit margin of Shanxian Hygeia Hospital increased from 18.2% in 2017 to 25.8% in 2018, primarily due to a significant increase in the reimbursable amounts under the public medical insurance programs from the local medical insurance bureau. Shanxian Hygeia Hospital was assigned a comparatively lower government-approved quota in 2017, because Shanxian Hygeia Hospital just commenced operations in 2016 and the local public medical insurance bureau was conservative when assigning its 2017 quota.

The gross profit margin of Suzhou Canglang Hospital increased from 15.7% in 2017 to 29.8% in 2018, primarily due to the one-off professional service fees we paid to three third-party consultants in 2017. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items – Cost of Revenue" for details.

Selling Expenses

Our selling expenses primarily consist of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. The following table sets forth a breakdown of our selling expenses for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Consultancy and professional service fees	24,697	22,678	6,200
Marketing and promotion expenses	7,441	5,466	4,165
Employee benefits expenses	2,187	3,751	3,951
Others[(1)]	388	886	1,103
Total	34,713	32,781	15,419

Note:

(1) Others primarily comprise travelling, entertainment, vehicle and office expenses.

Consultancy and professional service fees primarily comprise fees paid for organizing educational and promotional activities and seminars for our in-network hospitals and our third-party radiotherapy business. Our PRC Legal Advisors are of the view that such sales and marketing activities are not prohibited by any PRC laws and regulations.

Marketing and promotion expenses mainly consist of expenses incurred in connection with providing free medical consultations as part of our social responsibility efforts.

Employee benefits expenses mainly consist of the salaries, bonuses, pension and other social security and welfare of our sales and marketing staff.

Our selling expenses remained relatively stable at RMB34.7 million in 2017 and RMB32.8 million in 2018, and decreased to RMB15.4 million in 2019, which was mainly due to a decrease in consultancy and professional service fees, primarily attributable to lesser promotion and marketing spending as our patient base expands.

Administrative Expenses

Our administrative expenses primarily consist of employee benefits expenses, consultancy and professional service fees of our Directors, senior management and administrative staff, depreciation and amortization, travelling, entertainment, vehicle and office expenses, utilities, cleaning and gardening expenses, repair and maintenance expenses, taxation expenses and expenses in relation to the Listing. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Employee benefits expenses	55,657	55,818	56,411
Consultancy and professional service fees	4,104	5,084	10,063
Travelling, entertainment, vehicle and office expenses	11,738	11,780	14,759
Depreciation and amortization	12,105	13,838	19,919
Utilities, cleaning and gardening expenses	2,863	5,691	6,585
Repair and maintenance	4,493	2,387	3,146
Taxation expenses	3,951	2,724	3,224
Expenses in relation to the Listing	–	2,300	20,311
Others[(1)]	2,593	1,952	1,854
Total	97,504	101,574	136,272

Note:

(1) Others primarily comprise rental expenses, auditor's remuneration, bank charges and donation expenses.

Our administrative expenses remained relatively stable at RMB97.5 million for the year ended December 31, 2017 and RMB101.6 million for the year ended December 31, 2018, and increased to RMB136.3 million for the year ended December 31, 2019, primarily due to (i) an increase in expenses in relation to the Listing of RMB18.0 million; (ii) an increase in depreciation and amortization of RMB6.1 million mainly due to the commencement of operations of Chongqing Hygeia Hospital and Heze Hygeia Hospital in 2018; (iii) an increase in consultancy and professional service fees of RMB5.0 million mainly attributable to (a) the finance service fee of RMB2.0 million paid to a well-known commercial bank, an Independent Third Party, for advising us on structured financing arrangement in connection with a bank borrowing we obtained in 2019 to finance our Reorganization, and (b) an increase in service fees incurred for professional services; and (iv) an increase in travelling, entertainment, vehicle and office expenses of RMB3.0 million, which was in line with the growth of our business. Other than the finance service fee paid in 2018, our consultancy and professional service fees recognized as administrative expenses primarily comprise fees incurred for professional services such as legal, auditing, tax advisory, valuation, intellectual property consultancy and human resources services. Our PRC Legal Advisors are of the view that payment of the aforementioned finance service fee should not be regarded as a violation of any applicable PRC laws and regulations (in particular, the "Anti-Money Laundering Law of the PRC" (《中華人民共和國反洗錢法》).

Other Income

Our other income primarily consists of government grants. The following table sets forth a breakdown of our other income for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Government grants	3,189	3,776	4,073
Others	583	374	822
Total	3,772	4,150	4,895

Government grants primarily comprise (i) grants that are related directly to expense items and recognized when received in our consolidated statements of comprehensive income and (ii) grants that are related to assets and are recognized as deferred revenue when received in our consolidated statements of financial position, which are subsequently released to the consolidated statements of comprehensive income on a straight-line basis over the estimated useful lives of the assets.

During the Track Record Period, our government grants that are recognized when received primarily comprise financial subsidies from the local government in accordance with its policies, while our government grants that are recognized as deferred revenue represent financial assistance received from the local government to subsidize our construction of Shanxian Hygeia Hospital and Heze Hygeia Hospital. As of December 31, 2017, 2018 and 2019, our government grants recorded in our consolidated statements of financial position amounted to RMB28.1 million, RMB27.7 million and RMB28.3 million, respectively.

Other Gains/(Losses) – Net

The following table sets forth a breakdown of our net other gains and losses for the years indicated:

	Year ended December 31,		
	2017	2018	2019
		(RMB'000)	
Realized and unrealized gains on financial assets at fair value through profit and loss	12,395	6,748	5,217
Gains on disposal of a subsidiary	–	7,193	–
Losses on disposal of property, plant and equipment	(208)	(5,376)	(2,937)
Surcharge for tax overdue payment	(1,283)	(3,064)	(3,231)
Net foreign exchange gains	133	16	4,656
Loss of debt write-off	–	(5,351)	–
Fair value loss for anti-dilution rights given to Mr. Zhu	(2,505)	(2,074)	(11,355)
Others	(1,008)	(1,080)	(1,467)
Total	7,524	(2,988)	(9,117)

Realized and unrealized gains on financial assets at fair value through profit and loss represent the interest income of and the changes in fair value of the investment in wealth management products we purchased. Please see "– Certain Balance Sheet Items – Financial Assets at Fair Value Through Profit or Loss" for more details about these investments. The fluctuations in realized and unrealized gains on financial assets at fair value through profit and loss during the Track Record Period were primarily due to an increase or a decrease in scale of such investment.

We recorded gains of RMB7.2 million from disposal of our entire equity interest in Qufu Hospital to an Independent Third Party in 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details.

As a result of (i) transfer pricing adjustments to reflect arm's length transactions and (ii) adjustments made to certain costs and expenses which lacked invoices from the suppliers, our management revisited our income tax provision after the annual tax filings and made provision of surcharge for tax overdue payment upon identifying the shortfall, which we believe is not material to our financial condition and results of operations. We have informed the relevant tax authorities, paid up the shortfall and had no disputes or unresolved tax issues with relevant tax authorities as of the Latest Practicable Date.

In particular, we made transfer pricing adjustments amounting to RMB27.6 million and RMB4.6 million in 2017 and 2018, respectively. Such adjustments were in connection with our certain transactions with the Excluded Business of Gamma Star Industrial which occurred prior to the disposal of Gamma Star Industrial, when Gamma Star Industrial was legally a subsidiary of the Company. Therefore, the prices of such transactions were initially determined with reference to intra-group transactions and were more favourable than those of transactions we entered into with Independent Third Parties. For more details about the accounting treatment of consolidation of financial information of Gamma Star Industrial during the Track Record Period, please see "– Basis of Presentation." During the negotiation with Jiangsu Gurun for the disposal of the entire equity interest in Gamma Star Industrial, we revisited historical financial information and made certain adjustments in the management accounts necessary to reflect arm's length pricing, which were accepted by Jiangsu Gurun and the adjusted account receivables due from Gamma Star Industrial were subsequently settled after the disposal. In addition, in view of the previously understated revenue, we have made provision for income tax payable of RMB4.1 million and RMB0.7 million in 2017 and 2018, respectively. During the Track Record Period and up to the Latest Practicable Date, we were not required to pay any penalties for such transfer pricing adjustments.

Loss of debt write-off represents the loss we incurred as a result of a settled tax dispute with the former shareholders of Suzhou Canglang Hospital in connection with our acquisition of such hospital. In particular, the former shareholders of Suzhou Canglang Hospital agreed in the acquisition agreement to bear the taxes payable by Suzhou Canglang Hospital in connection with its conversion from a private not-for-profit hospital to a private for-profit hospital in 2015. Therefore, after acquisition of Suzhou Canglang Hospital in 2015, we recognized receivables due from former shareholders of Suzhou Canglang Hospital in our consolidated statements of financial position. Please see "– Certain Balance Sheet Items – Trade and Other Payables" and "– Certain Balance Sheet Items – Trade, Other Receivables and Prepayments." While we settled such taxes and the former shareholders of Suzhou Canglang Hospital refused to pay back, we brought a lawsuit against such former shareholders and the difference between the amount of settlement paid and the amount of such taxes is recognized as loss of debt write-off.

Fair value loss for anti-dilution rights given to Mr. Zhu represent fair value changes of the anti-dilution rights with respect to 5% equity interest in Gamma Star granted to Mr. Zhu to ensure that 5% equity interest in Gamma Star held by Mr. Zhu would not be diluted as a result of issuance of redeemable Shares to our Pre-IPO Investors. In particular, fair value loss for anti-dilution rights given to Mr. Zhu increased from RMB2.1 million for the year ended December 31, 2018 to RMB11.4 million for the year ended December 31, 2019 as a result of issuance of Shares to certain Pre-IPO Investors in January and May 2019.

Finance Income and Costs

Our finance income consists of finance income on our bank savings. Our finance costs mainly comprise our interest expense on bank borrowings and interest expense on redeemable Shares. The following table sets forth a breakdown of our finance income and costs for the years indicated:

	Year ended December 31,		
	2017	2018	2019
		(RMB'000)	
Finance income:			
Finance income of bank savings	411	175	629
Finance costs:			
Interest expense on borrowings	(7,484)	(4,079)	(6,001)
Interest expense on lease liabilities	(593)	(410)	(191)
Interest expense of redeemable Shares	(65,460)	(73,965)	(89,324)
	(73,537)	(78,454)	(95,516)
Finance costs – net	(73,126)	(78,279)	(94,887)

Interest expense of redeemable Shares represents interest expenses on redeemable Shares held by our Pre-IPO Investors, which have no impact on our cash position or capital resources to us if the Listing commences prior to June 30, 2021. Please see "– Key Factors Affecting Our Results of Operations – Redeemable Shares."

Income Tax Expense

Our income tax expense consists of current income tax and deferred income tax. The following table sets forth a breakdown of our income tax expense for the years indicated:

	Year ended December 31,		
	2017	2018	2019
		(RMB'000)	
Current income tax:			
– PRC EIT	19,767	23,352	42,298
Deferred income tax	2,004	1,493	(2,745)
Total	21,771	24,845	39,533

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. We are not subject to income or capital gains tax in the BVI. No provision for Hong Kong profits tax has been made during the Track Record Period as we did not generate any assessable profits arising in Hong Kong.

Our PRC subsidiaries are subject to the statutory EIT rate of 25%, except Gamma Star Tech and Chongqing Hygeia Hospital. During the Track Record Period, Gamma Star Tech was recognized as a "high and new technology enterprise" by the local government authority and thus was entitled to a preferential EIT rate of 15%. In addition, Chongqing Hygeia Hospital has been recognized as primarily engaging in the encouraged business specified in the "Catalog of Encouraging Industries in Western China" (《西部地區鼓勵類產業目錄》) and thus is eligible for a preferential EIT rate of 15% if its revenue generated from the encouraged business accounts for more than 70% of its total revenue for the relevant financial year. The preferential tax treatment enjoyed by us may change. Please see "Risk Factors – Risks Relating to Our Business and Industry – Preferential tax treatment and financial subsidies we have enjoyed may change or discontinue, which may have an adverse effect on our financial condition and results of operations."

Our effective income tax rate was (88.0)%, 91.1% and 49.9% for the years ended December 31, 2017, 2018 and 2019, respectively. Effective income tax rate represents income tax expense divided by loss or profit before income tax, expressed as a percentage. For the year ended December 31, 2017, we recorded income tax expenses that were incurred by our subsidiaries with taxable profit, while we recorded loss before income tax for the same period, which was mainly attributable to non-cash items including share-based compensation expenses and interest expense of redeemable Shares incurred by a loss-making subsidiary and therefore were not tax deductible. Our effective income tax rate for the years ended December 31, 2018 and 2019 was higher than our statutory EIT rate, primarily due to share-based compensation expenses and interest expense of redeemable Shares incurred by a loss-making subsidiary and therefore were not tax deductible.

We assessed the recoverability of the deferred tax assets from taxable income arising from continuing operations in the foreseeable future mainly based on the relevant forecast with reference to (i) the recent development and (ii) its performance budget for the future years. We recognized deferred tax assets arising from tax losses of subsidiaries of RMB2.2 million, RMB13.2 million and RMB24.0 million as of December 31, 2017, 2018 and 2019. These subsidiaries primarily comprise Chongqing Hygeia Hospital, Heze Hygeia Hospital and Anqiu Hygeia Hospital, all of which commenced operations in 2018. New hospitals generally have lower income and higher operating costs during the initial stages of their operations. Driven by increases in the number of patient visits, these three hospitals have achieved steady growth. Chongqing Hygeia Hospital and Heze Hygeia Hospital became tax profitable in August 2019 and March 2020. Based on their latest performance budgets prepared with reference to historical operating data (such as number of registered beds, number of inpatient and outpatient visits and average spending per patient visit) and reasonable forecasts of future growth and industry outlook, we expect Anqiu Hygeia Hospital to become tax profitable in the foreseeable future, when taxable profits will be available against which the deferred tax assets can be utilized, and we expect the deferred tax assets of these three hospitals to be fully utilized before expiry.

Save as disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 41.7% to RMB1,085.8 million for the year ended December 31, 2019 from RMB766.1 million for the year ended December 31, 2018, primarily due to (i) an increase in revenue from hospital business of RMB313.9 million; and (ii) an increase in revenue from third-party radiotherapy business of RMB5.9 million.

Hospital Business

Revenue from hospital business increased by 49.7% to RMB944.7 million for the year ended December 31, 2019 from RMB630.9 million for the year ended December 31, 2018, primarily due to (i) an increase in revenue from inpatient healthcare services of RMB240.2 million; and (ii) an increase in revenue from outpatient healthcare services of RMB73.7 million. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items – Revenue" for more details.

Third-party Radiotherapy Business

Revenue from third-party radiotherapy business increased by 4.6% to RMB134.9 million for the year ended December 31, 2019 from RMB128.9 million for the year ended December 31, 2018, primarily due to sales of our proprietary SRT equipment in 2019.

Hospital Management Business

Our revenue from hospital management business is affected by (a) revenue of our Managed Hospitals, and (b) the rate of management fees we charged our Managed Hospitals. Though the revenue of Kaiyuan Jiehua Hospital, which contributed majority of our revenue from hospital management business, increased from RMB35.0 million in 2018 to RMB43.0 million in 2019, our revenue from Kaiyuan Jiehua Hospital decreased slightly in 2019 as we agreed not to charge management fee on part of Kaiyuan Jiehua's revenue waived as assistance to psychiatric patients who are financially distressed. Our revenue from hospital management business therefore decreased slightly from RMB6.3 million in 2018 to RMB6.2 million in 2019.

Cost of Revenue

Our cost of revenue increased by 43.3% to RMB755.7 million for the year ended December 31, 2019 from RMB527.4 million for the year ended December 31, 2018. The increase was primarily due to (i) an increase in employee benefits expenses of RMB98.5 million mainly attributable to increased headcount and compensation level; (ii) an increase in cost of pharmaceuticals, consumables and other inventories of RMB42.1 million, which was in line with the increase in the number of our patient visits; (iii) an increase in consultancy and professional service fees of RMB35.9 million mainly attributable to increased headcount and compensation level of part-time physicians, details of which are set out in "– Description of Key Consolidated Statement of Comprehensive Income Items – Cost of Revenue"; (iv) an increase in depreciation and amortization of RMB16.2 million, mainly attributable to commencement of operations of Chongqing Hygeia Hospital and Heze Hygeia Hospital in 2018; and (v) an increase in radiotherapy center service fees of RMB15.9 million, which was mainly due to the increased popularity of our proprietary SRT equipment in our in-network hospitals and radiotherapy centers.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 38.3% to RMB330.1 million for the year ended December 31, 2019 from RMB238.7 million for the year ended December 31, 2018. Our gross profit margin remained relatively stable at 31.2% for the year ended December 31, 2018 and 30.4% for the year ended December 31, 2019.

Selling Expenses

Our selling expenses decreased by 53.0% to RMB15.4 million for the year ended December 31, 2019 from RMB32.8 million for the year ended December 31, 2018, primarily due to a decrease in consultancy and professional service fees of RMB16.5 million, mainly attributable to lesser promotion and marketing spending as our patient base expands.

Administrative Expenses

Our administrative expenses increased by 34.2% to RMB136.3 million for the year ended December 31, 2019 from RMB101.6 million for the year ended December 31, 2018, primarily due to (i) an increase in expenses in relation to the Listing of RMB18.0 million; (ii) an increase in depreciation and amortization of RMB6.1 million mainly attributable to the commencement of operations of Chongqing Hygeia Hospital and Heze Hygeia Hospital in 2018; (iii) an increase in consultancy and professional service fees of RMB5.0 million mainly attributable to (a) the finance service fee of RMB2.0 million paid to a well-known commercial bank, an Independent Third Party, for advising us on structured financing arrangement in connection with a bank borrowing we obtained in 2019 to finance our Reorganization, and (b) an increase in service fees incurred for professional services; and (iv) an increase in travelling, entertainment, vehicle and office expenses of RMB3.0 million, which was in line with the growth of our business.

Other Income

Our other income remained relatively stable at RMB4.2 million for the year ended December 31, 2018 and RMB4.9 million for the year ended December 31, 2019.

Other Gains – Net

Our net other losses increased significantly from RMB3.0 million for the year ended December 31, 2018 to RMB9.1 million for the year ended December 31, 2019, primarily due to (i) an increase in fair value loss for anti-dilution rights given to Mr. Zhu of RMB9.3 million as a result of issuance of Shares to certain Pre-IPO Investors in January and May 2019; and (ii) gains on disposal of a subsidiary of RMB7.2 million we recorded in 2018 as a result of our disposal of our entire equity interest in Qufu Hospital on October 15, 2018. This increase was partially offset by an increase in net foreign exchange gains of RMB4.6 million mainly due to the appreciation of U.S. dollars against Renminbi.

Finance Income and Costs

Our finance income increased to RMB629,000 for the year ended December 31, 2019 from RMB175,000 for the year ended December 31, 2018, due to an increase in interest income on our bank savings, which was mainly as a result of an increase in average bank saving balance.

Our finance costs increased by 21.7% to RMB95.5 million for the year ended December 31, 2019 from RMB78.5 million for the year ended December 31, 2018, primarily due to (i) an increase in interest expense of redeemable Shares of RMB15.4 million, which was mainly attributable to the issuance of redeemable Shares to certain Pre-IPO Investors in January and May 2019 (please see "History, Reorganization and Corporate Structure – Pre-IPO Investments" for details); and (ii) an increase in interest expense on bank borrowings of RMB1.9 million, which was mainly attributable to an increase in average bank borrowing balance.

Income Tax Expense

Our income tax expense increased by 59.7% to RMB39.6 million for the year ended December 31, 2019 from RMB24.8 million for the year ended December 31, 2018, primarily due to an increase in profit before income tax of RMB52.1 million. Our effective income tax rate decreased from 91.1% for the year ended December 31, 2018 to 49.9% for the year ended December 31, 2019, primarily due to a decrease in non-tax-deductible expenses, including share-based compensation expenses and interest expense of redeemable Shares, as a percentage of profit before income tax, which was in line with the growth of our business.

Profit for the Year

As a result of the foregoing, our net profit increased significantly from RMB2.4 million for the year ended December 31, 2018 to RMB39.8 million for the year ended December 31, 2019. Our net profit margin increased from 0.3% for the year ended December 31, 2018 to 3.7% for the year ended December 31, 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 28.4% to RMB766.1 million for the year ended December 31, 2018 from RMB596.5 million for the year ended December 31, 2017, primarily due to (i) an increase in revenue from hospital business of RMB170.6 million; and (ii) an increase in revenue from hospital management business of RMB5.3 million. This increase was offset by a decrease in revenue from third-party radiotherapy business of RMB6.2 million.

Hospital Business

Revenue from hospital business increased by 37.1% to RMB630.9 million for the year ended December 31, 2018 from RMB460.3 million for the year ended December 31, 2017, primarily due to (i) an increase in revenue from inpatient healthcare services of RMB125.8 million; and (ii) an increase in revenue from outpatient healthcare services of RMB44.8 million. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items – Revenue" for more details.

Third-party Radiotherapy Business

Revenue from third-party radiotherapy business decreased by 4.5% to RMB128.9 million for the year ended December 31, 2018 from RMB135.1 million for the year ended December 31, 2017, which was primarily due to sales of our proprietary SRT equipment in 2017. This decrease was partially offset by an increase in revenue from radiotherapy center consulting services of RMB10.6 million, primarily because our existing in-network radiotherapy centers continued to ramp up.

Hospital Management Business

Revenue from hospital management business significantly increased to RMB6.3 million for the year ended December 31, 2018 from RMB1.1 million for the year ended December 31, 2017, primarily due to an increase in the management fee rate in 2018 to be in line with industry level.

Cost of Revenue

Our cost of revenue increased by 23.5% to RMB527.4 million for the year ended December 31, 2018 from RMB427.2 million for the year ended December 31, 2017. The increase was primarily due to (i) an increase in employee benefits expenses of RMB52.2 million, mainly attributable to increased headcount and compensation level; (ii) an increase in cost of pharmaceuticals, consumables and other inventories of RMB49.2 million, which was in line with the increase in the number of our patient visits; and (iii) an increase in radiotherapy center service fees of RMB11.7 million, mainly attributable to the increased popularity of our proprietary SRT equipment in our in-network hospitals and radiotherapy centers. The increase was partially offset by a decrease in consultancy and professional service fees of RMB18.5 million, primarily due to professional service fee of RMB10.9 million we paid to third-party consultants in 2017 in connection with early termination of cooperation with certain business partners of Suzhou Canglang Hospital, details of which are set out in "– Description of Key Consolidated Statement of Comprehensive Income Items – Cost of Revenue".

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 41.0% to RMB238.7 million for the year ended December 31, 2018 from RMB169.3 million for the year ended December 31, 2017. Our gross profit margin increased to 31.2% for the year ended December 31, 2018 from 28.4% for the year ended December 31, 2017. Such increase was primarily due to an increase in gross profit margin of our hospital business and the change from gross loss to gross profit of our hospital management business.

Selling Expenses

Our selling expenses remained relatively stable at RMB34.7 million for the year ended December 31, 2017 and RMB32.8 million for the year ended December 31, 2018.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB97.5 million for the year ended December 31, 2017 and RMB101.6 million for the year ended December 31, 2018.

Other Income

Our other income remained relatively stable at RMB3.8 million for the year ended December 31, 2017 and RMB4.2 million for the year ended December 31, 2018.

Other Gains – Net

We recorded net other losses of RMB3.0 million for the year ended December 31, 2018 as compared to net other gains of RMB7.5 million for the year ended December 31, 2017, primarily due to (i) a decrease in realized and unrealized gains on financial assets at fair value through profit and loss of RMB5.6 million mainly attributable to a decreased scale of investment in financial assets at fair value through profit and loss, (ii) net loss of debt write-off of RMB5.4 million we recorded in 2018 as a result of a settled tax dispute with the former shareholders of Suzhou Canglang Hospital in connection with our acquisition of such hospital; and (iii) an increase in net losses on disposal of property, plant and equipment of RMB5.2 million mainly attributable to obsolescence of certain fixed assets in 2018. This change was partially offset by gains of RMB7.2 million from disposal of our entire equity interest in Qufu Hospital in 2018.

Finance Income and Costs

Our finance income decreased by 57.4% to RMB175,000 for the year ended December 31, 2018 from RMB411,000 for the year ended December 31, 2017, due to a decrease in finance income on our bank savings, which was mainly as a result of a decrease in average bank saving balance.

Our finance costs increased by 7.1% to RMB78.3 million for the year ended December 31, 2018 from RMB73.1 million for the year ended December 31, 2017, primarily due to an increase in interest expense of redeemable Shares of RMB8.5 million, which was mainly attributable to an increase in average balance of redeemable Shares. This increase was offset by a decrease in interest expense on bank borrowings of RMB3.4 million, which was mainly attributable to a decrease in average bank borrowing balance.

Income Tax Expense

Our income tax expense increased by 13.8% to RMB24.8 million for the year ended December 31, 2018 from RMB21.8 million for the year ended December 31, 2017, primarily due to the change from loss before income tax of RMB24.7 million for the year ended December 31, 2017 to profit before income tax of RMB27.3 million for the year ended December 31, 2018. As such, our effective income tax rate was (88.0)% and 91.1% for the year ended December 31, 2017 and 2018, respectively.

Profit/Loss for the Year

As a result of the foregoing, we recorded net profit of RMB2.4 million for the year ended December 31, 2018, compared to net loss of RMB46.5 million for the year ended December 31, 2017. We recorded net profit margin of 0.3% for the year ended December 31, 2018, compared to net loss margin of 7.8% for the year ended December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including upgrading the existing hospitals in our network, establishing and acquiring new hospitals and other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings and capital contributions from Shareholders. As of December 31, 2017, 2018 and 2019, we had cash and cash equivalents of RMB280.7 million, RMB190.6 million and RMB393.4 million, respectively, consisting of cash at bank and in hand.

Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Operating cash flows before changes in working capital	107,474	165,961	265,349
Changes in working capital	(26,807)	15,495	3,112
Cash generated from operations	80,667	181,456	268,461
Interest received	411	175	629
Income tax paid	(14,253)	(21,690)	(40,473)
Net cash generated from operating activities	66,825	159,941	228,617
Net cash generated from/(used in) investing activities	84,198	(262,462)	(134,978)
Net cash (used in)/generated from financing activities	(47,301)	12,397	104,562
Net increase/(decrease) in cash and cash equivalents	103,722	(90,124)	198,201
Cash and cash equivalents at the beginning of the year	176,805	280,660	190,552
Cash and cash equivalents at end of the year	280,660	190,552	393,409

Operating Activities

We derive our cash inflow from operating activities primarily through provision of healthcare services and hospital management services as well as provision of radiotherapy center consulting services, licensing of radiotherapy equipment and provision of maintenance and technical support services. Cash outflow from operating activities primarily comprises payments for procuring pharmaceuticals and medical consumables, employee benefit expenses, and other operating expenses. Our cash from operating activities reflects our profit before taxation, adjusted for non-cash items, such as interest costs, depreciation of property, plant and equipment, share-based compensation expense, fair value loss for anti-dilution rights given to Mr. Zhu, and the changes in working capital, including increases or decreases in inventories, trade and other receivables, prepayments, trade and other payables and contract liabilities.

Our net cash generated from operating activities was RMB228.6 million for the year ended December 31, 2019. This net cash inflow was primarily attributable to (i) profit before income tax expense of RMB79.3 million, as adjusted to reflect non-cash items, which principally included interest expenses of RMB95.5 million, depreciation of property, plant and equipment of RMB67.1 million, fair value loss for anti-dilution rights given to Mr. Zhu of RMB11.4 million and share-based compensation expense of RMB10.8 million; (ii) an increase in trade and other payables, and contract liabilities of RMB26.3 million, mainly attributable to (a) an increase in trade payables primarily due to our increased procurement in line with the growth of our hospital business, (b) an increase in salaries payable primarily as a result of the increased headcount and compensation level of our employees. This net cash inflow was partially offset by (i) income tax paid of RMB40.5 million; and (ii) an increase in trade and other receivables, prepayments of RMB17.2 million primarily due to an increase in trade receivables due from the public medical insurance programs, which was in line with the growth of our hospital business.

Our net cash generated from operating activities was RMB159.9 million for the year ended December 31, 2018. This net cash inflow was attributable to (i) profit before income tax expense of RMB27.3 million, as adjusted to reflect non-cash items, which principally included interest expenses of RMB78.5 million, depreciation of property, plant and equipment of RMB45.9 million and share-based compensation expense of RMB12.6 million; and (ii) an increase in trade and other payables, and contract liabilities of RMB74.1 million primarily due to (a) an increase in trade payables mainly as a result of our increased procurement in line with the growth of our hospital business, and (b) an increase in amounts due to the Excluded Business of Gamma Star Industrial. This net cash inflow was partially offset by (i) an increase in trade and other receivables, prepayments of RMB53.1 million primarily due to (a) an increase in trade receivables due from the public medical insurance programs, which was in line with the growth of our hospital business, and (b) an increase in other receivables in connection with the disposal of Qufu Hospital and Gamma Star Industrial; and (ii) income tax paid of RMB21.7 million.

Our net cash generated from operating activities was RMB66.8 million for the year ended December 31, 2017. This net cash inflow was primarily attributable to loss before income tax expense of RMB24.7 million, as adjusted to reflect non-cash items, which principally included interest expenses of RMB73.5 million, depreciation of property, plant and equipment of RMB39.0 million, share-based compensation expense of RMB27.1 million and realized and unrealized gains on financial assets at fair value through profit or loss of RMB12.4 million. This net cash inflow was partially offset by (i) an increase in trade and other receivables, prepayments of RMB36.0 million primarily due to an increase in trade receivables due from the public medical insurance programs, which was in line with the growth of our hospital business; and (ii) income tax paid of RMB14.3 million.

Investing Activities

Our cash used in investing activities mainly reflects our cash used in payments for purchases of property, plant and equipment and payments for financial assets at fair value through profit or loss. Our cash generated from investing activities mainly comprises proceeds from disposal of financial assets at fair value through profit or loss and proceeds from disposal of subsidiaries.

Our net cash used in investing activities was RMB135.0 million for the year ended December 31, 2019. This net cash outflow was primarily attributable to (i) payments for financial assets at fair value through profit or loss of RMB2,689.1 million; and (ii) purchases of property, plant and equipment of RMB154.2 million. This net cash outflow was partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB2,694.3 million; and (ii) proceeds from disposal of Gamma Star Industrial and Qufu Hospital of RMB24.8 million. Our purchases of property, plant and equipment in the year ended December 31, 2019 were primarily in connection with expenditures on construction in progress and purchase of medical equipment.

Our net cash used in investing activities was RMB262.5 million for the year ended December 31, 2018. This net cash outflow was primarily due to (i) payments for financial assets at fair value through profit or loss of RMB1,071.7 million; and (ii) payments for purchases of property, plant and equipment of RMB287.6 million. This net cash outflow was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,104.4 million. Our purchases of property, plant and equipment in 2018 were primarily in connection with expenditures on construction in progress and purchase of medical equipment.

Our net cash generated from investing activities was RMB84.2 million for the year ended December 31, 2017. This net cash inflow was primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB2,207.4 million. This net cash inflow was partially offset by (i) payments for financial assets at fair value through profit or loss of RMB1,874.3 million; (ii) payments for purchases of property, plant and equipment of RMB229.3 million; and (iii) payments for acquisition of 80% equity interest in Chengwu Hygeia Hospital and the entire equity interest in Anqiu Hygeia Hospital of RMB19.2 million. Our purchases of property, plant and equipment in 2017 were primarily in connection with expenditures on construction in progress and purchase of medical equipment.

Financing Activities

Cash inflow from financing activities mainly comprises capital contributions, bank borrowings as well as advances and repayments from related parties. We use cash in financing activities primarily for repayments of bank borrowings as well as repayments and advances to related parties.

Our net cash generated from financing activities was RMB104.6 million for the year ended December 31, 2019. This net cash inflow was primarily attributable to (i) proceeds from bank borrowings of RMB504.5 million; (ii) proceeds from issuance of redeemable Shares to certain of our Pre-IPO Investors of RMB255.5 million; and (iii) advances and repayments from related parties of RMB60.6 million. This net cash inflow was partially offset by (i) repayments of bank borrowings of RMB560.5 million; and (ii) repayment and advance to related parties of RMB154.5 million.

Our net cash generated from financing activities was RMB12.4 million for the year ended December 31, 2018. This net cash inflow was primarily due to (i) prepaid exercise price of restricted shares of RMB61.8 million, representing prepayments from participants of a restricted share plan of Shanxian Hygeia Hospital (please see "History, Reorganization and Corporate Structure – Our Corporate Development – Establishment of New Hospitals – Shanxian Hygeia Hospital" for details); and (ii) advances and repayments from related parties of RMB11.3 million. This net cash inflow was partially offset by (i) repayment and advance to related parties of RMB26.7 million; (ii) distribution relating to Longyan Boai Hospital under common control combination of RMB17.2 million; and (iii) repayments of bank borrowings of RMB10.0 million. We first acquired the entire equity interest in Longyan Boai Hospital in 2015 for a consideration of RMB70.5 million and disposed of the same to a connected person of us in 2016 for the same amount of consideration. We re-acquired the entire equity interest in Longyan Boai Hospital in 2018 for a consideration of RMB17.2 million, which was deemed as distribution to the former shareholders of Longyan Boai Hospital as it has been under common control between 2015 and 2018.

Our net cash used in financing activities was RMB47.3 million for the year ended December 31, 2017. This net cash outflow was primarily due to (i) repayments and advance to related parties of RMB148.5 million; (ii) repayments of bank borrowings of RMB66.0 million; and (iii) repayment of financial guarantee payables RMB46.2 million. This net cash outflow was partially offset by (i) advances and repayments from related parties of RMB98.6 million; (ii) proceeds from issuance of redeemable Shares to certain of our Pre-IPO Investors of RMB91.1 million; and (iii) prepaid exercise price of restricted Shares of RMB33.6 million, representing prepayments from participants of a restricted share plan of Shanxian Hygeia Hospital as stated above.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Property, plant and equipment	229,285	287,647	154,245
Intangible assets	602	2,970	5,413
Total	229,887	290,617	159,658

We expect to incur capital expenditures of approximately RMB231.0 million in the year ending December 31, 2020, primarily related to upgrading our existing self-owned hospitals and information technology systems. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from operations.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

NET CURRENT ASSETS AND LIABILITIES

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current assets/liabilities:

	As of December 31,			As of April 30,
	2017	2018	2019	2020
		(RMB'000)		
				(Unaudited)
Current assets:				
Inventories	35,330	41,017	47,016	45,593
Trade, other receivables and prepayments	152,177	225,068	224,936	253,011
Amounts due from related parties	43,951	56,467	3,169	5,515
Financial assets at fair value through profit or loss	50,000	–	–	100,000
Cash and cash equivalents	280,660	190,552	393,409	194,677
Total current assets	562,118	513,104	668,530	598,796
Current liabilities:				
Trade and other payables	163,641	213,233	262,474	250,387
Amounts due to related parties	182,723	154,523	16,678	2,204
Contract liabilities	12,755	12,992	9,882	7,725
Current income tax liabilities	21,967	23,629	25,454	20,055
Lease liabilities	1,918	69	1,297	1,296
Redeemable Shares	–	–	1,398,396	28,060
Borrowings	10,000	11,000	–	–
Total current liabilities	393,004	415,446	1,714,181	309,727
Net current assets/(liabilities)	169,114	97,658	(1,045,651)	289,069

We had net current assets of RMB289.1 million as of April 30, 2020, consisting of current assets of RMB598.8 million and current liabilities of RMB309.7 million, compared to our net current liabilities of RMB1,045.7 million as of December 31, 2019. This was primarily due to a decrease in current portion of Redeemable Shares of RMB1,370.3 million, which was recognized as non-current liabilities due to extension of due date to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020. This was partially offset by a decrease in cash and cash equivalents of RMB198.7 million, primarily due to payment of land premium in February 2020 for establishing a new hospital in Liaocheng, Shandong Province and purchase of financial assets at fair value through profit or loss.

We had net current liabilities of RMB1,045.7 million as of December 31, 2019, consisting of current assets of RMB668.5 million and current liabilities of RMB1,714.2 million, compared to our net current assets of RMB97.7 million as of December 31, 2018. This was primarily due to (i) an increase in current portion of redeemable Shares of RMB1,398.4 million which was expected to become due in September 2020 as of December 31, 2019; (ii) a decrease in amounts due from related parties of RMB53.3 million mainly attributable to repayments of advances due from related parties; and (iii) an increase in trade and other payables of RMB49.2 million mainly attributable to an increase in dividend payable. This was partially offset by (i) an increase in cash and cash equivalents of RMB202.9 million; and (ii) a decrease in amounts due to related parties of RMB137.8 million mainly attributable to repayments of advances due to related parties.

We had net current assets of RMB97.7 million as of December 31, 2018, consisting of current assets of RMB513.1 million and current liabilities of RMB415.4 million, which represented a decrease of RMB71.5 million from our net current assets of RMB169.1 million as of December 31, 2017. This was primarily due to (i) a decrease in cash and cash equivalents of RMB90.1 million; (ii) a decrease in financial assets at fair value through profit or loss of RMB50.0 million due to disposal of certain wealth management products; and (iii) an increase in trade and other payables of RMB49.6 million mainly attributable to (a) an increase in trade payables mainly as a result of our increased procurement in line with growth of our business and (b) an increase in payables for construction projects mainly as a result of increased construction fees payable to the construction contractors of Heze Hygeia Hospital and Chongqing Hygeia Hospital in 2018. This was partially offset by (i) an increase in trade, other receivables and prepayments of RMB72.9 million primarily due to an increase in trade receivables due from the public medical insurance programs, which was in line with the growth of our hospital business; and (ii) a decrease in amounts due to related parties of RMB28.2 million mainly attributable to repayments of advances due from related parties.

As of December 31, 2017, we had net current assets of RMB169.1 million, consisting of current assets of RMB562.1 million and current liabilities of RMB393.0 million.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations and bank borrowings.

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

CERTAIN BALANCE SHEET ITEMS

Inventories

The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2017	2018	2019
		(RMB'000)	
Pharmaceuticals	13,632	17,287	20,212
Medical consumables	13,607	21,101	23,245
Spare parts(1)	8,091	2,629	3,559
Total	35,330	41,017	47,016

Note:

(1) Spare parts primarily comprise applicators, certain mechanical components and electronic controls as well as the outer covers needed for the production of our proprietary SRT equipment.

Our inventories increased by 14.6% to RMB47.0 million as of December 31, 2019 from RMB41.0 million as of December 31, 2018, which was generally in line with the growth of our business.

Our inventories increased by 16.1% to RMB41.0 million as of December 31, 2018 from RMB35.3 million as of December 31, 2017, primarily due to an increase in medical consumables of RMB7.5 million, which was mainly attributable to our increased procurement in line with the growth of our hospital business. This increase was offset by a decrease in spare parts of RMB5.5 million, which was mainly attributable to increased production efforts of our proprietary SRT equipment in anticipation of the scheduled commencement of operations of certain of our in-network hospitals and an in-network radiotherapy center in 2018.

For the year ended December 31, 2017, 2018 and 2019, our inventory turnover days were 26.6 days, 26.4 days and 21.3 days, respectively. We calculate the inventory turnover days using the average of the opening and ending inventory balances for the year, divided by cost of revenue for the relevant year, multiplied by 365 days for 2017, 2018 and 2019. Inventory turnover days decreased during the Track Record Period primarily due to our improved management of inventory level.

As of April 30, 2020, approximately RMB37.7 million, or 80.3%, of our inventories as of December 31, 2019 had been utilized or sold.

Trade, Other Receivables and Prepayments

The following table sets forth our trade, other receivables and prepayments as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Included in current assets			
Trade receivables			
– Patients	2,076	2,260	3,538
– Public medical insurance programs	57,098	79,411	159,924
– Other customers	51,815	67,597	37,616
Subtotal	110,989	149,268	201,078
Other receivables			
– Deposits receivables	7,792	7,825	6,150
– Due from former shareholders of Suzhou Canglang Hospital	20,347	–	–
– Due from prior subsidiaries – Gamma Star Industrial & Qufu Hospital	–	26,015	–
– Receivable of consideration for disposal of interests in subsidiaries – Gamma Star Industrial & Qufu Hospital	–	24,800	–
– Others	6,251	4,391	4,109
Sub-total	34,390	63,031	10,259
Prepayments to suppliers	4,780	12,073	6,641
Prepayments for other taxes	2,018	421	609
Prepayments for listing related expenses	–	275	6,349
Sub-total	6,798	12,769	13,599
Included in non-current assets			
Prepayments for property, plant and equipment	37,593	10,092	18,420
Total	189,770	235,160	243,356

Trade Receivables

Trade receivables mainly represent the balances due from the patients and public medical insurance programs for healthcare services provided by our self-owned hospitals, hospital partners for our Radiotherapy Center Services and other licensees of our proprietary SRT equipment. For outpatient healthcare services provided by our self-owned hospitals, patients are generally required to pay their medical bills before receiving the services through public medical insurance programs and out-of-pocket payments themselves. For inpatient healthcare services, patients are generally required to pay a deposit in advance of admission and settle their medical bills on the day of discharge through public medical insurance programs and out-of-pocket payments themselves. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of our healthcare services. In such case, patients generally settle a portion of their medical bills through out-of-pocket payments, and the remainder was covered by the public medical insurance programs. For the portion of the medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our self-owned hospitals typically receive reimbursement of a majority of such portion in the current month or the following month, with the remainder to be settled in the next year, except when such portion exceeds the government-approved annual quota (only applicable to medical fees for inpatient healthcare services). Please see "Business – Pricing and Payment" for more details. We typically grant credit terms of up to 90 days to hospital partners for our Radiotherapy Center Services and other licensees of our proprietary SRT equipment.

The following table sets forth aging analysis of trade receivables, based on invoice date, as of the dates indicated:

	As of December 31, 2017				
	Within 90 days	**91 to 180 days**	**181 to 365 days**	**One to two years**	**Total**
			(RMB'000)		
Patients	1,689	77	310	–	2,076
Public medical insurance programs	33,687	6,867	16,544	–	57,098
Other customers	48,449	1,003	2,235	128	51,815
Total	83,825	7,947	19,089	128	110,989

	As of December 31, 2018				
	Within 90 days	**91 to 180 days**	**181 to 365 days**	**One to two years**	**Total**
			(RMB'000)		
Patients	2,107	146	–	7	2,260
Public medical insurance programs	66,351	6,231	6,829	–	79,411
Other customers	22,340	9,917	33,099	2,241	67,597
Total	90,798	16,294	39,928	2,248	149,268

	As of December 31, 2019				
	Within 90 days	**91 to 180 days**	**181 to 365 days**	**One to two years**	**Total**
			(RMB'000)		
Patients	2,359	683	496	–	3,538
Public medical insurance programs	95,120	31,975	32,703	126	159,924
Other customers	25,772	10,131	172	1,541	37,616
Total	123,251	42,789	33,371	1,667	201,078

Our trade receivables was increased by 34.5% from RMB111.0 million as of December 31, 2017 to RMB149.3 million as of December 31, 2018, and further increased by 34.7% to RMB201.1 million as of December 31, 2019, primarily due to an increase in trade receivables due from the public medical insurance programs, which was in line with the growth of our hospital business. The significant amount of trade receivables aging between 181 to 365 days as of December 31, 2018 was primarily attributable to trade receivables due from the Excluded Business of Gamma Star Industrial, which were incurred prior to our disposal of Gamma Star Industrial and subsequently settled in 2019.

We apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. As of December 31, 2017, 2018 and 2019, we did not recognize any impairment loss on our trade receivables.

For the year ended December 31, 2017, 2018 and 2019, our trade receivables turnover days were 59.5 days, 62.0 days and 58.9 days, respectively. We calculate the trade receivables turnover days using the average of the opening and closing trade receivables balances for the year, divided by revenue for the relevant year, multiplied by 365 days for 2017, 2018 and 2019. Trade receivables turnover days remained relatively stable during the Track Record Period.

As of April 30, 2020, approximately RMB140.6 million, or 69.9%, of our trade receivables as of December 31, 2019 were subsequently settled. In particular, as of April 30, 2020, approximately RMB1.5 million, or 43.1%, of our trade receivables due from patients as of December 31, 2019 were subsequently settled, while approximately RMB120.1 million, or 75.1%, of our trade receivables due from public medical insurance programs as of December 31, 2019 were subsequently settled.

Other Receivables

Deposits receivables represent deposits paid for land acquisition.

Receivables due from former shareholders of Suzhou Canglang Hospital comprise primarily certain amounts that the former shareholders of Suzhou Canglang Hospital agreed to bear in connection with our acquisition of such hospital. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items – Other Gains/(Losses) – Net." We fully settled receivables due from former shareholders of Suzhou Canglang Hospital in 2018.

Receivables due from prior subsidiaries represent fund advances to Gamma Star Industrial and Qufu Hospital, which were unsecured, interest free and had no fixed terms of repayment. We fully settled such advances in 2019.

Receivables of consideration for disposal of interests in subsidiaries represent outstanding amounts payable to us for the disposal of Gamma Star Industrial and Qufu Hospital. We disposed of our entire equity interest in Gamma Star Industrial and Qufu Hospital to Independent Third Parties in October 2018. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (v) Disposals of Gamma Star Industrial and Qufu Hospital and De-registration of Shanghai Hygeia" for details. The outstanding amounts were fully settled in 2019.

Prepayments

Prepayments to suppliers represent amounts we prepaid for procurement of pharmaceuticals and medical consumables as well as prepayments to our cobalt-60 suppliers and contract manufacturers for the production of our proprietary SRT equipment. Prepayments to suppliers increased significantly to RMB12.1 million as of December 31, 2018 from RMB4.8 million as of December 31, 2017, primarily due to our increased procurement in line with the growth of our business. Prepayments to suppliers decreased by 45.5% to RMB6.6 million as of December 31, 2019 from RMB12.1 million as of December 31, 2018, primarily due to earlier delivery from our suppliers in the year-end of 2019 in anticipation of the earlier 2020 Chinese New Year which fell in January.

Prepayments for property, plant and equipment represent prepaid construction fees to contractors which undertook the construction work of our self-owned hospitals as well as prepayments for purchase of medical equipment. Our prepayments for property, plant and equipment decreased significantly from RMB37.6 million as of December 31, 2017 to RMB10.1 million as of December 31, 2018, which was primarily due to and in line with the construction progress of Chongqing Hygeia Hospital and Heze Hygeia Hospital whose construction was commenced in late 2016 and completed in 2018. Our prepayments for property, plant and equipment increased from RMB10.1 million as of December 31, 2018 to RMB18.4 million as of December 31, 2019, primarily due to prepayments made in 2019 for purchase of medical equipment.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss comprise investments in short-term wealth management products issued by reputable commercial banks, with expected rates of return ranging from 1.95% to 4.60%, 2.05% to 4.20% and 2.10% to 4.20% per annum for the years ended December 31, 2017, 2018 and 2019, respectively.

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Wealth management products	50,000	–	–
Total	50,000	–	–

As part of our treasury management, we invested in these financial assets as a supplemental means to improve utilization of our cash on hand on a short-term basis. During the Track Record Period, we preserved all our investment capital and did not encounter any default by the issuing financial institutions. We have established internal policies to monitor and control the risks relating to our investment activities. In particular:

- in order to optimize our cash management, we may only make such investments in situations where we have surplus cash;

- in principle, only investments that are of low risk and reasonable returns and liquidity are allowed and investments should be non-speculative in nature. We typically invest in financial assets which do not have a stated maturity and are redeemable at will;

- we only invest in financial assets issued by well recognized commercial banks and other qualified financial institutions, and in any given period, we make investments in assets of multiple issuers to mitigate concentration risks;

- any proposed investment is subject to a feasibility study which shall be reviewed by the investment decision-making committee. The proposal with the feasibility study will then be submitted to our chief executive officer and chief financial officer for review and approval; and

- the finance department at our headquarters is responsible for monitoring the performance of the invested assets and any significant or adverse fluctuation in our investments shall be reported to our chief financial officer and investment decision-making committee in a timely manner.

We may adjust our investment policies from time to time based on our development, conditions of the financial market and the macroeconomic environment in China. We understand that upon Listing, the investments in such financial assets may constitute notifiable transactions under Chapter 14 of the Listing Rules and our Directors confirm that any such investment would only be made after compliance with the Listing Rules as well as other relevant laws and regulations, if applicable.

Intangible Assets

The following table sets forth our intangible assets as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Goodwill	304,469	300,338	300,338
Software	1,751	4,122	8,947
Contractual rights to provide management services	55,110	53,533	51,957
Medical Licenses	26,364	25,414	24,464
Total	387,694	383,407	385,706

Goodwill represents the excess of the (a) the aggregate of the fair value of consideration transferred over (b) the net fair value of the acquiree's identifiable net assets at the acquisition date. Our significant amount of goodwill during the Track Record Period mainly arose from our acquisition of Longyan Boai Hospital and Suzhou Canglang Hospital in 2015, the fair value of whose identifiable net assets were negative due to their accumulated losses at the acquisition date. We considered a number of factors to determine the consideration (including the amount of the goodwill) for the acquisition of the Longyan Boai Hospital and Suzhou Canglang Hospital, including (i) Longyan Boai Hospital's existing oncology patient base and established radiotherapy business, which would enable us to provide radiotherapy treatment services to patients through our self-owned hospitals; (ii) the opportunity for us to enter hospital business and further expand our oncology-focused hospital network through acquisition of Longyan Boai Hospital and Suzhou Canglang Hospital, which were our first two operating self-owned hospitals; (iii) Longyan Boai Hospital and Suzhou Canglang Hospital's high-quality and multi-disciplinary team of medical professionals and comprehensive clinical disciplines; and (vi) the considerable brand recognition of Longyan Boai Hospital and Suzhou Canglang Hospital in the local market, which would allow us to further enhance our nationwide brand awareness. We did not record any impairment charge on goodwill during the Track Record Period. Please see "– Critical Accounting Policies and Estimates – Estimated Impairment of Goodwill."

Contractual rights to provide management services represent the consideration we paid for acquisition of organizer's interest in Handan Renhe Hospital, Handan Zhaotian Hospital, and Kaiyuan Jiehua Hospital. We amortize the contractual rights to provide management services using the straight-line method over the term of our hospital management agreements of 40 years. We record the amortization expenses for these contractual rights in our cost of revenue.

Our medical licenses primarily came from our acquisition of Suzhou Canglang Hospital and Longyan Boai Hospital. We amortize these medical licenses using the straight-line method over their estimated useful lives of approximately 30 years. We record the amortization expenses for these medical licenses in our cost of revenue.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Trade payables	85,332	102,580	118,789
Salaries payables	25,185	36,925	48,329
Payables of considerations for acquisition of subsidiaries	4,820	3,140	1,720
Deposits payable	1,393	2,445	636
Other taxes payable	16,160	9,225	10,098
Payables of surcharge for tax overdue payment	1,283	4,347	7,578
Payables for construction projects	13,897	40,820	19,613
Prepayments received for radiotherapy equipment licensing	6,467	8,329	8,681
Dividend payable	–	–	41,941
Payables for intangible assets acquisition	–	-	1,030
Others	9,104	5,422	4,059
Total	163,641	213,233	262,474

Trade payables primarily represent outstanding amounts due to our suppliers of pharmaceuticals and medical consumables as well as our radiotherapy center service providers. We are typically given credit terms ranging from 30 days to 90 days by suppliers of our medical supplies, while our radiotherapy center service providers generally provide us credit terms of up to 30 days. Our trade payables increased by 20.2% from RMB85.3 million as of December 31, 2017 to RMB102.6 million as of December 31, 2018, and further increased by 15.8% to RMB118.8 million as of December 31, 2019, primarily due to our increased procurement in line with the growth of our hospital business.

The following table sets forth an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
0 to 90 days	64,784	82,838	91,022
91 to 180 days	9,878	8,582	14,164
181 to 365 days	7,027	2,743	5,158
Over one year	3,643	8,417	8,445
Total	85,332	102,580	118,789

For the year ended December 31, 2017, 2018 and 2019, our trade payables turnover days were 64.8 days, 65.0 days and 53.5 days, respectively. We calculate the trade payables turnover days using the average of the opening and closing trade payable balances for the year, divided by cost of revenue for the relevant year, multiplied by 365 days for 2017, 2018 and 2019. Trade payables turnover days remained relatively stable at 64.8 days in 2017 and 65.0 days in 2018. Trade payables turnover days decreased from 65.0 days in 2018 to 53.5 days in 2019, primarily due to a higher proportion of trade payables due to our radiotherapy center service providers.

As of April 30, 2020, approximately RMB99.5 million, or 83.8%, of our trade payables as of December 31, 2019 had been subsequently settled.

Salaries payable increased by 46.4% from RMB25.2 million as of December 31, 2017 to RMB36.9 million as of December 31, 2018, and further increased by 30.9% to RMB48.3 million as of December 31, 2019, primarily due to the increased headcount and compensation level of our employees.

Other taxes payable decreased by 43.2% to RMB9.2 million as of December 31, 2018 from RMB16.2 million as of December 31, 2017, primarily due to a decrease in VAT payables as a result of disposal of Gamma Star Industrial in 2018.

Payables for construction projects represent payables to our construction contractors. Payables for construction projects increased significantly to RMB40.8 million as of December 31, 2018 from RMB13.9 million as of December 31, 2017, primarily due to increased construction fees payable to the construction contractors of Heze Hygeia Hospital and Chongqing Hygeia Hospital in 2018. Payables for construction projects decreased by 52.0% to RMB19.6 million as of December 31, 2019 from RMB40.8 million as of December 31, 2018, primarily due to settlement of payables due to the construction contractors of Heze Hygeia Hospital and Chongqing Hygeia Hospital whose construction was completed in 2018.

Prepayments received for radiotherapy equipment licensing represent payments received from our in-network radiotherapy centers and other licensees of our proprietary SRT equipment in relation to the safe disposal of disused cobalt-60 source, which will be subsequently recognized as revenue over the estimated useful economic life of a cobalt-60 source of eight years on a straight-line basis.

Dividend payable represents dividend payable to holders of our Shares (other than redeemable Shares) we declared in September 2019, which will be settled prior to the Listing.

Our Directors confirm that we had no material defaults in our trade payables or other payables during the Track Record Period and up to the Latest Practicable Date.

Contractual Liabilities

Our contract liabilities represent advance payments from our customers while the underlying services have not been provided. The table below sets forth revenue-related contract liabilities we recognized as of the dates as indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Hospital business			
Outpatient healthcare services	420	498	1,887
Inpatient healthcare services	9,575	10,732	7,189
	9,995	11,230	9,076
Third-party radiotherapy business			
Radiotherapy equipment maintenance service	2,760	962	150
Radiotherapy equipment sales	–	800	656
Total	12,755	12,992	9,882

Our contract liabilities under hospital business primarily comprise deposits from patients for our inpatient healthcare services. Our contract liabilities under third-party radiotherapy business comprise prepayments we received for our radiotherapy maintenance services and for the purchase of our proprietary SRT equipment.

Our contractual liabilities remained relatively stable at RMB12.8 million as of December 31, 2017 and RMB13.0 million as of December 31, 2018. Our contractual liabilities decreased by 23.9% from RMB13.0 million as of December 31, 2018 to RMB9.9 million as of December 31, 2019, primarily because we took measures in 2019 to improve the operational efficiency of certain self-owned hospitals with relatively high bed occupancy rates by reducing the average length of stay of inpatients and increasing bed turnover rates, which resulted in accelerated settlement with inpatients.

The table below sets forth revenue we recognized during the Track Record Period in relation to carried-forward contract liabilities at the beginning of the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Hospital business			
Outpatient services	401	420	498
Inpatient services	6,542	9,575	10,732
Sub-total	6,943	9,995	11,230
Third-party radiotherapy business			
Radiotherapy equipment maintenance service	–	2,560	812
Radiotherapy equipment sales	600	–	709
Total	7,543	12,555	12,751

Lease Liabilities

We are the lessee in respect of certain properties held under operating leases for our production facility and offices during the Track Record Period. These leases are non-cancellable for initial periods of two to 10 years. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments. Please see "– Critical Accounting Policies and Estimates – Adoption of IFRS 9, IFRS 15 and IFRS 16" for more details.

The table below sets forth our future minimum lease payments under these operating leases which fall due as of the dates as indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Minimum lease payments due			
Within one year	2,404	74	1,414
Between one and two years	1,212	66	1,350
Between two and five years	4,083	–	–
Over five years	3,550	–	–
	11,249	140	2,764
Less: future finance charges	(2,035)	(8)	(160)
Present value of lease liabilities	9,214	132	2,604
Within one year	1,918	69	1,297
Between one and two years	808	63	1,307
Between two and five years	3,201	–	–
Over five years	3,287	–	–
Total	9,214	132	2,604

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of bank borrowings, advances from related parties, lease liabilities and redeemable Shares.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2017	**2018**	**2019**	**2020**
	(RMB'000)			(Unaudited)
Included in current liabilities				
Bank borrowings				
– Current portion of long-term borrowings[1]	10,000	11,000	–	–
	10,000	11,000	–	–
Advances from related parties[2]	181,090	154,523	11,941	–
Current portion of lease liabilities	1,918	69	1,297	1,296
Current portion of redeemable Shares	–	–	1,398,396	28,060
Sub-total	193,008	165,592	1,410,453	29,356
Bank borrowings				
– Non-current portion of long-term borrowings[1]	56,000	45,000	–	–
Non-current portion of lease liabilities	7,296	63	1,307	879
Non-current portion of redeemable Shares	1,573,709	1,647,674	631,674	2,132,679
Sub-total	1,637,005	1,692,737	632,981	2,133,558
Total	1,830,013	1,858,329	2,044,615	2,162,914

Notes:

(1) Our long-term bank borrowings were secured by pledges of certain properties with a net carrying amount of RMB68.7 million, RMB67.2 million, respectively, as of December 31, 2017 and 2018.

(2) Please see "– Related Party Transactions" for more details.

Our bank borrowings during the Track Record Period were denominated in Renminbi and were used to finance our capital expenditure and working capital requirements. As of December 31, 2017 and 2018, the weighted average interest rates of our bank borrowings were 6.0% and 6.0%, respectively.

The table below sets forth the maturity profile of our bank borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2017	2018	2019	2020
		(RMB'000)		
				(Unaudited)
Within one year	10,000	11,000	–	–
Between one and two years	11,000	12,500	–	–
Between two and five years	37,500	32,500	–	–
Over five years	7,500	–	–	–
Total	66,000	56,000	–	–

Our Directors confirm that there has been no material change in our indebtedness position since April 30, 2020, being the latest practicable date for the purpose of the indebtedness statement.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing. As of April 30, 2020, we had unutilized credit facilities of RMB70 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Contingent Liabilities

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

COMMITMENTS

The following table sets forth our capital commitments as of the dated indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Contracted but not provided for:			
Property, plant and equipment	70,596	15,064	34,943
Intangible assets	538	500	1,068
Total	71,134	15,564	36,011

Capital commitments that were contracted but not provided for represent 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. Our capital commitments during the Track Record Period were primarily related to commitments for (i) the construction and renovation of our in-network hospitals; and (ii) purchases of cobalt-60 source.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners' equity, or that are not reflected in our consolidated historical financial information. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As of December 31,			Relationship with our Group
	2017	2018	2019	
		(RMB'000)		
Amounts due from related parties:				
Trade in nature				
Shanghai Nianjian Investment and Management Co., Ltd. (上海年健投資管理有限公司) ("**Shanghai Nianjian**")(1)(3)	3,312	3,223	–	An associate of Mr. Zhu and a connected person of us
Dayang International Leasing (Shanghai) Co., Ltd (大洋國際租賃(上海)有限公司) ("**Dayang Leasing**")(2)(3)	4,685	4,574	–	An associate of Mr. Zhu and a connected person of us
Handan Renhe Hospital(4)	–	–	3,132	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Sub-total	7,997	7,797	3,132	
Non-trade in nature				
Handan Renhe Hospital(5)	8,200	13,583	–	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Kaiyuan Jiehua Hospital(6)	18,575	22,634	–	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Handan Zhaotian Hospital(7)	9,179	12,453	37	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Sub-total	35,954	48,670	37	
Total	43,951	56,467	3,169	

	As of December 31,			Relationship with our Group
	2017	2018	2019	
	(RMB'000)			
Amounts due to related parties:				
Trade in nature				
Shanghai Rongqiao Biotech Co., Ltd. (上海榮喬生物科技有限公司) ("**Shanghai Rongqiao**")(8)	378	–	–	An associate of Mr. Zhu and a connected person of us
Ms. Zhu(8)	1,255	–	–	Ms. Zhu is one of our Controlling Shareholders
Kaiyuan Jiehua Hospital(9)	–	–	4,648	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Handan Renhe Hospital(10)	–	–	89	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Sub-total	1,633	–	4,737	
Non-trade in nature(11)				
Shanghai Longkun biotechnology Co., Ltd. (上海龍昆生物科技有限公司) ("**Shanghai Longkun**")(12)	124,660	124,660	–	An associate of Mr. Zhu and a connected person of us
Handan Renhe Hospital	1,000	–	–	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Kaiyuan Jiehua Hospital	1,598	–	–	An associate of Mr. Zhu and Ms. Zhu and a connected person of us

	As of December 31,			Relationship with our Group
	2017	2018	2019	
	(RMB'000)			
Shanghai Wenqiao Investment and Management Co., Ltd. (上海文喬企業管理有限公司) ("**Shanghai Wenqiao**")(13)	23	–	–	An associate of Mr. Zhu and a connected person of us
Dayang Leasing(2)(14)	30,013	29,863	–	An associate of Mr. Zhu and a connected person of us
Xiangshang Investment	–	–	11,941	An associate of Mr. Zhu and Ms. Zhu and a connected person of us
Excluded Business of Gamma Star Industrial(15)	23,796	–	–	Please see "– Basis of Presentation" for details.
Sub-total	181,090	154,523	11,941	
Total	182,723	154,523	16,678	
Lease liabilities to				
Ms. Zhu(16)	1,255	–	1,860	Ms. Zhu is one of our Controlling Shareholders
Shanghai Rongqiao(16)	2,969	2,607	682	An associate of Mr. Zhu and a connected person of us

Advances to Managed Hospitals

Fund advances to the Managed Hospitals were unsecured, interest free and collectable on demand. Although without any commitment of financial support, we provided fund advances to our Managed Hospitals mainly to satisfy their temporary cash requirements for renovation and procurement of medical equipment, with a view to supporting their long-term growth and development.

We closely monitor these fund advances to ensure they were used by our Managed Hospitals for specified purposes only. Specifically, as we provide management services to our Managed Hospitals, (i) we are actively involved in their daily operations and are well aware of their expenditures; (ii) we review statements of the Managed Hospital's funds on a daily basis; and (iii) we obtain and review the management accounts of our Managed Hospitals on a monthly basis, including statement of financial position, income statement, cash flow statement and breakdown of expenses and capital expenditures, and are fully aware of how each Managed Hospital utilized their funds. During the Track Record Period, we did not identify any misconduct by our Managed Hospital in respect of the advances we provided.

Each of the Managed Hospitals has repaid all such advances due to us by utilizing cash generated from operations and external borrowings indicating that they have become capable of securing their own financial resources and are not financially dependent on our Group. In addition, a substantial portion of fund advances was provided by us to our Managed Hospitals before the Track Record Period when they were at the initial stage of operations. Going forward, we expect each of our Managed Hospitals to maintain sufficient working capital without relying on us, as both Kaiyuan Jiehua Hospital and Handan Renhe Hospital have already achieved steady growth while Handan Zhaotian Hospital is also expected to experience stable growth in revenue after resumption of operations after renovation.

Notes:

(1) Represented service fees due from Shanghai Nianjian to which we licensed our proprietary SRT equipment and provided maintenance and technical support services. This arrangement was not renewed in 2019. Shanghai Nianjian has a registered capital of RMB53 million and is held as to 45.0% by Ms. Ji Hairong ("**Ms. Ji**") (the spouse of Mr. Zhu and mother of Ms. Zhu), 54.5% by Mr. Zhu and 0.5% by Ms. Zhu. Shanghai Nianjian was once a customer of our third-party radiotherapy business during the Track Record Period. Mr. Zhu Yilin (brother of Mr. Zhu) was filed as the legal representative and director of Shanghai Nianjian from March 2009 to March 2012 and since March 2012, Ms. Ji has been the new legal representative and director.

Shanghai Nianjian had one radiotherapy center project during the Track Record Period, whose patient visits were 922, 855 and 276, respectively, in 2017, 2018 and 2019. Shanghai Nianjian terminated cooperation with this radiotherapy center in April 2019. According to its unaudited management accounts, Shanghai Nianjian recorded revenue of RMB9.3 million, RMB9.4 million and RMB3.8 million in 2017, 2018 and 2019, respectively, and recorded net loss of RMB0.2 million, net profit of RMB1.3 million and RMB0.3 million in 2017, 2018 and 2019, respectively.

(2) Represented service fees due from Dayang Leasing to which we licensed our proprietary SRT equipment and provided maintenance and technical support services. This arrangement was not renewed in 2019. Dayang Leasing has a registered capital of US$10 million and is indirectly wholly owned by Ms. Ji. Dayang Leasing was once a customer of our third-party radiotherapy business during the Track Record Period. Ms. Ji has been the legal representative and a director of Dayang Leasing since March 2009. Mr. Zhu Yilin was a director of Dayang Leasing from September 2009 to February 2019 and is the supervisor since February 2019. Mr. Zhu and Ms. Zhu were directors in Dayang Leasing from September 2009 to February 2019. Ms. Cheng Huanhuan was a director in Dayang Leasing from November 2016 to February 2019 and a supervisor from January 2018 to February 2019. Their roles in Dayang Leasing were terminated as (i) none of Mr. Zhu, Ms. Zhu or Ms. Cheng Huanhuan was involved in the daily management and operation of Dayang Leasing and (ii) our Controlling Shareholders and senior management planned to resign from positions in related parties as part of the Reorganization.

Dayang Leasing had two radiotherapy center projects during the Track Record Period, which had aggregate patient visits of 879 and 1,288, respectively, in 2017 and 2018. Dayang Leasing terminated cooperation with the two radiotherapy centers in November 2018 and January 2019, respectively. According to its unaudited management accounts, Dayang Leasing recorded revenue of RMB13.0 million, RMB19.2 million and RMB0.9 million in 2017, 2018 and 2019, respectively, and recorded net profit of RMB1.1 million and RMB1.2 million and net loss of RMB0.5 million in 2017, 2018 and 2019, respectively.

(3) As requested by the same vendors, Ms. Ji acquired Shanghai Nianjian and Dayang Leasing (collectively, the "**Two Entities**") in 2009 as part of the packaged sale with Mr. Zhu's acquisition of Gamma Star Tech. Prior to the 2009 acquisitions, Gamma Star Tech was the intellectual property holder and manufacturer of an SRT equipment, while the Two Entities primarily cooperated with third-party public hospitals on radiotherapy center projects. Our founder, Mr. Zhu, intended to acquire Gamma Star Tech only and believed that the business of the Two Entities were not in line with the development strategies of our Group and thus had no intention to include them in our Group. Nevertheless, the Two Entities were not entitled to unilaterally terminate the existing cooperation contracts with third-party public hospitals on radiotherapy center projects, and they had to continue performing such contracts until its expiration, or until the contracting parties agreed on an early termination. As such, the Two Entities have been gradually terminating their businesses over the years, and their entire business operations were terminated in 2019. Given that (i) the businesses of the Two Entities were not in line with the development strategies of our Group, (ii) the business of the Two Entities were terminated in 2019, and (iii) our Shareholders, including our Pre-IPO Investors, had no intention to acquire the Two Entities, the Two Entities are not included in our Group.

(4) Represented hospital management fees due from Handan Renhe Hospital.

(5) For the years ended December 31, 2017, 2018 and 2019, the fund advances we provided to Handan Renhe Hospital were RMB10.5 million, RMB6.4 million and RMB0.8 million, respectively, and the repayment we received from Handan Renhe Hospital during the same periods were RMB1.0 million, nil and RMB14.4 million, respectively.

(6) For the years ended December 31, 2017, 2018 and 2019, the fund advances we provided to Kaiyuan Jiehua Hospital were RMB2.2 million, RMB5.7 million and RMB0.6 million, respectively, and the repayment we received from Kaiyuan Jiehua Hospital during the same periods were RMB4.3 million, nil and RMB23.3 million for the years ended December 31, 2017, 2018 and 2019, respectively.

(7) For the years ended December 31, 2017, 2018 and 2019, the fund advances we provided to Handan Zhaotian Hospital were RMB3.5 million, RMB3.3 million and RMB0.2 million, respectively, and the repayment we received from Handan Zhaotian Hospital during the same periods were nil, nil and RMB12.6 million for the years ended December 31, 2017, 2018 and 2019, respectively.

(8) Represented rentals payable to Ms. Zhu and Shanghai Rongqiao pursuant to an office property lease agreement and production facility lease agreement, respectively. Please see "Connected Transactions – Fully-exempt Continuing Connected Transactions" for details.

(9) Represented prepaid Radiotherapy Center Service fees from Kaiyuan Jiehua Hospital.

(10) Represented prepayment we received from Handan Renhe Hospital for an one-off purchase of medical consumables.

(11) Represented fund advances from these related parties, which were unsecured, interest free and repayable on demand. Assuming an interest rate of 6% per annum, which was the weighted average interest rate of our bank borrowings during the Track Record Period, as a result of these fund advances, our finance costs would have increased hypothetically by RMB11.1 million, RMB10.1 million and RMB5.0 million for the years ended December 31, 2017, 2018 and 2019, respectively, and our net profit would have decreased hypothetically by RMB8.4 million, RMB7.6 million and RMB3.8 million, respectively, for the same periods. Such notional interest expenses are calculated using the average of the opening and ending balances of fund advances due to related parties for the year. We do not intend to obtain fund advances from our related parties in the future, and we do not anticipate any significant increase in our finance costs or any material adverse impact on us going forward.

(12) Shanghai Longkun has a registered capital of RMB100 million and was initially established to make investments in the biotech sector but the plan never materialized. It has no particular business operations and currently does not hold any investment. Shanghai Longkun is owned by Mr. Zhu Ligang, nephew of Mr. Zhu and cousin of Ms. Zhu, as to 99% and is an associate of Mr. Zhu. Mr. Zhu Ligang serves as the executive director and manager of Dezhou Hygeia Hospital, Liaocheng Hygeia Hospital and Shanghai Longkun. He also serves as the manager of the construction projects department of Gamma Star Tech, a wholly-owned subsidiary of our Company. Mr. Zhu Ligang is a participant of our Pre-IPO Restricted Share Scheme and holds his restricted shares through Yuehuan Medical (before the Reorganization) and Group & Ray I Limited (after the Reorganization). Save as disclosed in this prospectus, to the best knowledge of our Directors, Mr. Zhu Ligang

is not a shareholder and does not serve as a director or a senior management at any hospital-related or radiotherapy-related businesses. Ms. Cheng Huanhuan, our executive Director and chief executive officer, was filed as a supervisor of Shanghai Longkun from February 2018 to April 2019. She resigned from such position as (i) she had never been involved in the management and operation of Shanghai Longkun and (ii) our Controlling Shareholders and senior management planned to resign from positions in related parties as part of the Reorganization.

In November 2015, we completed the acquisition of Longyan Boai Hospital which had certain liabilities outstanding upon completion of the acquisition. In 2016, since our Shareholders (including our Pre-IPO Investors) had different views in providing funding to Longyan Boai Hospital to settle its pre-acquisition liabilities, Mr. Zhu, being our Controlling Shareholder, decided to provide the funding himself as he was optimistic about the prospect of Longyan Boai Hospital based on his extensive industry experience. As Mr. Zhu would like to focus on developing the business of our Group and attend to his physician work, rather than monitoring the use of funds by Longyan Boai Hospital himself, Mr. Zhu, instead of providing funds directly to Longyan Boai Hospital, entrusted his nephew, Mr. Zhu Ligang, to help advance the funds through Shanghai Longkun as the lender (which is 99%-owned by Mr. Zhu Ligang) to Longyan Boai Hospital and monitor Longyan Boai Hospital to apply the funds properly. Therefore, Mr. Zhu, through his associated companies, advanced RMB58 million and RMB66 million in 2016 and 2017, respectively, to Shanghai Longkun which in turn advanced the amount to Longyan Boai Hospital to settle the outstanding liabilities. Such amount was fully repaid in 2019.

(13) Shanghai Wenqiao has a registered capital of RMB4 million and is primarily engaged in corporate management consultancy business. We borrowed RMB22,500 from Shanghai Wenqiao prior to 2015 to satisfy temporary cash requirements and such borrowings were fully settled in 2018. Shanghai Wenqiao is ultimately controlled by Mr. Zhu Ligang (nephew of Mr. Zhu and cousin of Ms. Zhu), who also serves as the executive director of Shanghai Wenqiao.

(14) Represented RMB30 million we borrowed from Dayang Leasing in 2017 mainly to cover expenditures on finance lease of certain medical equipment. Such borrowings were fully settled in 2019.

(15) Prior to our disposal of Gamma Star Industrial in October 2018, we utilized the cash generated from its daily operations during our ordinary course of business. As our consolidated financial statements excluded the assets, liabilities and results of operations of the Excluded Business of Gamma Star Industrial during the Track Record Period, the funds that we previously utilized were recognized as advances from the Excluded Business of Gamma Star Industrial. After the disposal, such advances due to Gamma Star Industrial were treated as deemed contribution from the Excluded Business of Gamma Star Industrial and accounted for as other reserves in our consolidated statements of financial position for the year ended December 31, 2018.

(16) Represented lease of certain properties to us by Ms. Zhu and Shanghai Rongqiao pursuant to an office property lease agreement and a production facility lease agreement, respectively.

We had the following significant transactions with related parties for the years indicated:

	Year ended December 31,		
	2017	2018	2019
		(RMB'000)	
Third-party radiotherapy business revenue			
– Handan Zhaotian Hospital(1)	576	327	–
– Handan Renhe Hospital(1)	8,168	7,545	7,709
– Kaiyuan Jiehua Hospital(1)	6,562	9,858	10,021
– Shanghai Nianjian(2)	1,562	1,562	521
– Dayang Leasing(2)	2,209	3,330	–
– Excluded Business of Gamma Star Industrial(3)	38,574	27,529	–
Sub-total	57,651	50,151	18,251
Hospital management business revenue			
– Handan Zhaotian Hospital(4)	–	128	–
– Handan Renhe Hospital(4)	219	1,905	1,991
– Kaiyuan Jiehua Hospital(4)	853	4,315	4,248
Sub-total	1,072	6,348	6,239
Depreciation on right-of-use assets and interest expense on lease liabilities			
– Ms. Zhu(5)	1,289	1,221	1,039
– Shanghai Rongqiao(5)	420	407	380
Sub-total	1,709	1,628	1,419
Total	60,432	58,127	25,909

Notes:

(1) Represented the provision of Radiotherapy Center Services by us to Handan Zhaotian Hospital, Handan Renhe Hospital and Kaiyuan Jiehua Hospital.

(2) Represented the licensing of our proprietary SRT equipment and provision of maintenance and technical support services by us to Shanghai Nianjian and Dayang Leasing.

(3) Represented the licensing of our proprietary SRT equipment and provision of maintenance and technical support services by us to the Excluded Business of Gamma Star Industrial prior to our disposal of Gamma Star Industrial to an Independent Third Party.

(4) Represented the provision of hospital management services by us to Handan Zhaotian Hospital, Handan Renhe Hospital and Kaiyuan Jiehua Hospital.

(5) Represented lease of certain properties to us by Ms. Zhu and Shanghai Rongqiao pursuant to an office property lease agreement and a production facility lease agreement, respectively.

We have settled all non-trade amounts due from/to related parties. We will discontinue all non-trade related party transactions after the Listing, except as in compliance with the Listing Rules.

Save as disclosed in this prospectus, (i) none of our Controlling Shareholders, directors and senior management of our Group holds any position at or has any other involvement in any of the related parties disclosed above; and (ii) there is no other sharing of material resources between each of these related parties and any member of our Group, their shareholders, directors or employees, or any of their respective associates.

It is the view of our Directors that each of the related party transactions set out in Note 36 of the Accountant's Report in Appendix I to this prospectus (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	Year ended December 31,		
	2017	**2018**	**2019**
		(%)	
Profitability ratios			
Gross profit margin(1)	28.4	31.2	30.4
Net (loss)/profit margin(2)	(7.8)	0.3	3.7
Non-IFRS measure – adjusted EBITDA margin(3)	20.1	22.4	26.5
Non-IFRS measure – adjusted net profit margin(4)	8.1	12.2	15.8

	As of December 31,		
	2017	**2018**	**2019**
		(%)	
Liquidity ratios			
Current ratio(5)	1.43	1.24	0.39
Quick ratio(6)	1.34	1.14	0.36
Capital adequacy ratio			
Gearing ratio(7)	N/A	N/A	N/A

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net (loss)/profit margin is calculated based on loss/profit for the year divided by revenue and multiplied by 100%.

(3) Adjusted EBITDA margin, a non-IFRS measure, is calculated based on adjusted EBITDA divided by revenue and multiplied by 100%. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items" for the reconciliation from (loss)/profit before income tax to EBITDA and adjusted EBITDA.

(4) Adjusted net profit margin, a non-IFRS measure, is calculated based on adjusted net profit divided by revenue and multiplied by 100%. Please see "– Description of Key Consolidated Statement of Comprehensive Income Items" for the reconciliation from (loss)/profit and total comprehensive (loss)/income to adjusted net profit.

(5) Current ratio is calculated based on total current assets divided by total current liabilities.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(7) Gearing ratio is calculated based on total borrowings divided by total equity and multiplied by 100%. Gearing ratio is not applicable to us during the Track Record Period due to our negative equity position. However, we have been in net cash position (namely, cash and cash equivalents exceeding total borrowings) at the end of each year during the Track Record Period.

Please see "– Year to Year Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the respective years.

Current Ratio

Our current ratio decreased from 1.43 as of December 31, 2017 to 1.24 as of December 31, 2018, primarily because the increase in our current liabilities and the decrease in our current assets. The increase in our current liabilities was primarily due to an increase in trade and other payables, and was partially offset by a decrease in amounts due to related parties. The decrease in our current assets was primarily due to (i) a decrease in cash and cash equivalents and (ii) a decrease in financial assets at fair value through profit or loss, and was partially offset by (i) an increase in trade, other receivables and prepayments, and (ii) an increase in amounts due from related parties.

Our current ratio decreased from 1.24 as of December 31, 2018 to 0.39 as of December 31, 2019, primarily because the increase in our current liabilities outpaced the increase in our current assets. The increase in our current liabilities was primarily due to (i) an increase in current portion of redeemable Shares of RMB1,398.4 million; and (ii) an increase in trade and other payables of RMB49.2 million.

Quick Ratio

Consistent with the changes in our current ratio, our quick ratio decreased from 1.34 as of December 31, 2017 to 1.14 as of December 31, 2018, and further decreased to 0.36 as of December 31, 2019.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, see Note 3 in the Accountant's Report set out in Appendix I to this prospectus.

Interest Rate Risk

Our interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose us to fair value interest rate risk. Borrowings issued at variable rates expose us to cash flow interest rate risk. We currently do not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

For the years ended December 31, 2017, 2018 and 2019, if the interest rates had been 0.5% higher/lower with all other variables held constant, our net profit would have decreased or increased by approximately RMB248,000, RMB210,000 and nil, respectively. For more information, see Note 3.1.1 to the Accountant's Report set forth in Appendix I to this prospectus.

Credit Risk

Our 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 our consolidated statements of financial position. Management has a credit policy in place and the exposure to these credit risks is monitored on an on-going basis.

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

For our hospital business, we, being a healthcare service provider, have a highly diversified customer base, without any single customer contributing material revenue. However, we have 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. We have policies in place to ensure the medical services we provided are in line with the requirements of public medical insurance programs and we closely monitor the status of overdue payment to ensure timely collection. For trade receivables of our third-party radiotherapy business and hospital management business, we generally grant 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, our management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables and amounts due from related parties as we closely monitor their repayment.

We consider 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, we compare 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. We consider available reasonable and supportive forwarding-looking information, and the following indicators are especially incorporated: (i) internal credit rating, (ii) external credit rating, (iii) 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, (iv) actual or expected significant changes in the operating results of the debtor, and (v) significant changes in the expected performance and behavior of the debtor, including changes in payment status and changes in the operating results of the debtor.

We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

As of December 31, 2017, 2018 and 2019, we have assessed that the expected loss rate for trade and other receivables was immaterial. Thus, no allowance provision for trade receivables was recognized during the Track Record Period. For further information relating to our credit risk, see Note 3.1.2 to the Accountant's Report set forth in Appendix I to this prospectus.

Liquidity Risk

We manage liquidity risk by closely and continuously monitoring our financial position. We aim to maintain adequate cash and cash equivalents to meet our liquidity requirements. Please see Note 3.1.3 to the Accountant's Report set forth in Appendix I to this prospectus for more details about our financial liabilities by different maturity groups.

DIVIDENDS

We declared a dividend of RMB70 million to holders of our Shares in September 2019, which will be settled prior to the Listing and will be funded by our internal financial resources. Other than that, no dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

As of December 31, 2019, we had negative retained earnings. As advised by Harney Westwood & Riegels, the Cayman Islands legal advisors to the Company, a Cayman Islands company may pay dividends out of profits or share premium. In the case of dividends paid out of share premium, there is a statutory test set out in Section 34(2) of the Cayman Companies Law which provides that the share premium account may be applied by the company to pay dividends to its members only if immediately following the payment of dividends, the company will be able to pay its debts as they fall due in the ordinary course of business. There is no provision under the Cayman Companies Law which expressly prohibits us from declaring and paying dividends out of our share premium account even when we had negative retained earnings.

Any future declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB131.8 million, representing 6.8% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB28.9 million, of which approximately RMB22.6 million was charged to the consolidated statements of comprehensive income for the year ended December 31, 2018 and 2019, as administrative expenses and approximately RMB6.3 million was capitalized as deferred expenses in the consolidated statements of financial position as of December 31, 2019 to be charged against equity upon successful Listing. We expect to incur additional listing expenses of approximately

RMB102.9 million, of which approximately RMB27.8 million is expected to be recognized as administrative expenses and approximately RMB75.1 million is expected to be recognized as a deduction in equity directly upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to show the effect of the Global Offering on our net tangible assets as of December 31, 2019, as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2019 or at any future date. The unaudited pro forma statement of adjusted net tangible assets is based on the unaudited consolidated total net tangible assets of the Group attributable to the owners of the Company as of December 31, 2019 derived from the Accountant's Report in set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as of December 31, 2019	Estimated net proceeds from the Global Offering	Estimated impact to the net assets upon the lapse of redemption rights of redeemable Shares of the Group	Estimated Impact to the Net Assets upon the Termination of the Restricted Period of Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital upon the Listing	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as of December 31, 2019	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*		*(Note 5)*	*(Note 6)*
Based on the Offer Price of HK$17.00 per Offer Share	(588,312)	1,759,813	2,002,011	(61,988)	3,111,524	5.19	5.67
Based on the Offer Price of HK$18.50 per Offer Share	(588,312)	1,917,841	2,002,011	(61,988)	3,269,552	5.45	5.96

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as of December 31, 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of December 31, 2019 of approximately RMB202,606,000, after deducting the Group's intangible assets attributable to the owners of the Company of approximately RMB385,706,000 as of December 31, 2019.

(2) The estimated net proceeds from the Global Offering are based on 120,000,000 Offer Shares and the indicative Offer Price of HK$17.00 per Offer Share and HK$18.50 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of RMB2,300,000 and RMB20,311,000 which have been accounted for in the consolidated statements of comprehensive income for the year ended December 31, 2018 and 2019, respectively).

(3) Upon Listing, all the redemption rights of redeemable shares of the Group will be automatically lapsed pursuant to the respective share subscribe agreements. Prior to the lapse of the redemption rights, the redeemable shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB2,002,011,000, being the carrying amounts of the redeemable shares of the Group as of December 31, 2019 net off by the declared dividend of RMB28,059,000 attributable to redeemable shares.

(4) Upon Listing, the restricted period of 18.44% equity interest in Shanxian Hygeia Hospital held under pre-IPO restricted share scheme will automatically terminate pursuant to the supplemental agreements entered into on May 5, 2020. Prior to such termination, the Group controlled and consolidated the relevant 18.44% equity interest in Shanxian Hygeia Hospital. For the purpose of the unaudited pro forma adjusted consolidated net tangible assets, adjustments represent the deconsolidation of the relevant 18.44% equity interest, as a result of which, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will decrease by RMB61,988,000, representing 18.44% of the net asset value of Shanxian Hygeia Hospital as of December 31, 2019.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the proceeding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue (including the lapse of redemption rights of redeemable shares) have been completed on December 31, 2019 but does not take into account of any Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option or any Shares which may be issued and repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(6) For the purpose of the unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi amounts into Hong Kong dollars was at rate of RMB0.91459 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

(7) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2019.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save as otherwise disclosed in this prospectus, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2019, being the date of the latest audited consolidated financial position of our Group as set out in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree.

Immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), (i) Mr. Zhu will be interested in approximately 18.58% of our enlarged total issued share capital through his interest in Century River Investment and Century River; and (ii) Ms. Zhu will be interested in approximately 27.59% of our enlarged total issued share capital through her interest in Red Palm Investment, Red Palm and Amber Tree. Pursuant to the concert party confirmation, Mr. Zhu and Ms. Zhu have confirmed that they are acting in concert in respect of their equity interests in our Company. See "History, Reorganization and Corporate Structure – Reorganization – Concert Party Arrangement" for details. Therefore, Mr. Zhu and Ms. Zhu, through their respective holding companies (namely Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree), will together indirectly hold and be entitled to exercise the voting rights attaching to approximately 46.17% of our enlarged total issued share capital, and Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree will be considered as a group of Controlling Shareholders for the purpose of the Listing Rules after the Listing.

Neither our Controlling Shareholders nor any of our Directors, including their respective close associates, was, as of the Latest Practicable Date, interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

Mr. Zhu and Ms. Zhu served as directors of our Company historically, and they resigned from directorship in January and February 2020, respectively. Details of their roles and involvement in the operation and management of our Group and the reasons leading to their resignations are set forth below:

- **Mr. Zhu** founded our Group in November 2009 and served as the general manager and a director of our Group until December 2019 and January 2020, respectively. Although Mr. Zhu is our founder and contributed to the early development phase of our Group, the daily operation and management of our Group was primarily entrusted with the professional management team comprising all the senior management members of our Group.

  As Mr. Zhu is not only the founder of our Group, he is also a practising physician who has been devoted to serving patients and healing the wounded over the years. After he founded our Group in 2009, Mr. Zhu had to balance his time and efforts between the managerial and clinical role. Initially he led several professional managers (including Ms. Cheng Huanhuan, Mr. Zhang Wenshan and Ms. Jiang Hui) to manage and operate the business of our Group. In 2015, Warburg Pincus LLC invested in our Group, and in the following years, more high-profile institutional investors became shareholders of our Group, including Boyu, CITIC Capital, WuXi AppTec, etc. As the shareholder base of our Group broadened, we moved towards a more professionally-run management structure in preparation for going public. To this end, we put a lot of efforts in building a strong senior management team by developing internal talents and identifying external recruits. Four members of our senior management team have been with us for a long time and one member was recruited by us since August 2017 for most of the Track Record Period. For details of their roles and responsibilities, please see the section headed "Directors and Senior Management."

At the end of 2019, Mr. Zhu resigned from his managerial role to attend to his personal health and allow more time for his pursuit in the medical field. Having considered that (i) we had been making efforts to put in place a robust corporate governance and enhanced internal control systems, and (ii) our operation had been entrusted with our senior management team, we believe that a more professionally-run management structure had been established. After discussions among our Shareholders, Mr. Zhu's resignation was honored and approved.

- **Ms. Zhu** held director position in Gamma Star from April 2010 to June 2019 (before the Reorganization) when she was appointed as the Director of our Company (after the Reorganization). Ms. Zhu resigned from the Board in February 2020. Her directorship in our Group was a non-executive role in nature. Ms. Zhu was not an employee of our Group, did not hold any management position in our Group and has never been involved in the daily management and operation of our Group.

  Ms. Zhu resigned as a result of board adjustment in preparation for the Listing. The board of Gamma Star previously consisted of nine directors without any independent non-executive directors. Considering that the Listing Rules require the board of a listed issuer to have at least three independent non-executive directors representing at least one-third of the board, our Shareholders agreed that three directors out of the original nine-member board would resign at the time of the submission of the listing application to the Stock Exchange, so that the board would have room for the three independent non-executive directors to comply with relevant requirements of the Listing Rules. As a result of the abovementioned board adjustment, Ms. Zhu ceased to be a director in February 2020.

Notwithstanding their resignations, neither Mr. Zhu or Ms. Zhu is in any way prohibited from acting as a director of a listed company in Hong Kong or has been the subject of any regulatory concern on his/her integrity or competence. Below are the biographical information of Mr. Zhu and Ms. Zhu.

Mr. Zhu Yiwen (朱義文) is an experienced physician with approximately 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 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.

Ms. Zhu Jianqiao (朱劍喬) served as the compliance analyst in American Express Technology Services (Hangzhou) Limited Company (運通技術服務(杭州)有限公司) from August 2013 to October 2015, mainly responsible for corporate internal control and compliance work. Since January 2016, she has been an investment manager in 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), primarily responsible for private equity investments and management. Ms. Zhu graduated from Tongji University (同濟大學) in July 2013 with a bachelor's degree in cultural industry management. She was admitted by Shanghai Jiaotong University (上海交通大學) in September 2017 to study business administration and is currently a candidate for a master's degree in management.

Ms. Ji Hairong, the spouse of Mr. Zhu, held director or legal representative positions in some of our subsidiaries historically. Ms. Ji retired from our Group in February 2019 and before her retirement, she was primarily responsible for coordinating meetings, attending ceremonial activities and handling corporate registration affairs.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after Listing.

Operational Independence

Our Company makes business decisions independently. We have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. We maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We are also in possession of all relevant licenses necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in Note 36 in the Accountant's Report, our Directors have confirmed that these related party transactions, if trade related, were conducted on normal commercial terms or better to us. Save as disclosed in the section headed "Connected Transactions" of this prospectus, none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the Listing.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

The Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. See the section headed "Directors and Senior Management" in this prospectus for more details of our Directors. Mr. Ren Ai, an executive Director, is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu. All the other Directors and other members of our senior management are independent from our Controlling Shareholders. The daily operation of our Group is carried out by our experienced management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis.

Each Director is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring independent judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Financial Independence

Our Group has established an independent financial department with a team of independent financial staff, as well as a sound and independent financial system and makes financial decisions according to our Group's own business needs. Our Group has adequate capital to operate our business independently, and has sufficient internal resources to support our daily operations.

During the Track Record Period, our Group had certain trade and non-trade related amounts due to/from the close associates of our Controlling Shareholders. Please see Note 36 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates had been fully settled as of the Latest Practicable Date.

During the Track Record Period, certain bank borrowings were guaranteed by our Controlling Shareholders and their close associate. Please see Note 36 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus. Such guarantees provided to our Group for bank borrowings had been released as of the Latest Practicable Date.

Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their respective close associates in favor of our Group or vice versa upon the Listing. We have put in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates, we believe our Group is financially independent from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

To safeguard the interest of our Group, our Controlling Shareholders, as the covenantors (the "**Covenantors**"), have executed the Deed of Non-competition in favor of our Company on June 8, 2020. Pursuant to the Deed of Non-competition, the Covenantors and/or their respective close associates (other than members of our Group) have confirmed that as of the date of the Deed of Non-competition, neither of the Covenantors or their respective close associates (other than members of our Group) have, in any form, engaged in, assisted or supported any third party in the operation of, participate, or have 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 our Group from time to time, namely hospital business, third-party radiotherapy business and hospital management business (the "**Restricted Business**").

Pursuant to the Deed of Non-competition, the Covenantors have, unconditionally and irrevocably, undertaken to our Company, among other things, that they would not and would use their best endeavors to procure their respective close associates (except any members of our Group) would not, directly or indirectly, at any time during the Relevant Period (as defined below), carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested (economically or otherwise) in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business which is the same as, similar to or in competition or will compete or may compete with the Restricted Business.

The above restrictions do not prohibit the Covenantors and their respective close associates (other than members of our Group) from holding securities of any company which conducts or is engaged in any Restricted Business, provided that the conditions set out in paragraphs (i), (ii) and (iii) below are satisfied:

(i) the aggregate number of shares or equity interests held by the Covenantors and their respective close associates (other than members of our Group) is less than 10% of any class of the issued shares or the entire equity interests of such company;

(ii) the Covenantors or their respective close associates (other than members of our Group) do not own, by any means, any right to control the composition of the board of directors or managers of such Restricted Business nor any right to participate, directly or indirectly, in such Restricted Business; and

(iii) none of the Covenantors and their respective close associates (other than members of our Group) is the controlling shareholder of such company.

In addition, where it is resolved by the Board or a Shareholders' meeting that it is appropriate for the Covenantors and/or their respective close associates (other than members of our Group) and our Group to jointly invest in, conduct, operate or participate in any investment or commercial opportunity relating to the Restricted Business (the "**New Business Opportunity**"), and if our Group gives written invitation, the Covenantors and/or their respective close associates (other than members of our Group) may together with our Group, jointly invest in, conduct, operate or participate in such New Business Opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and/or independent Shareholders).

Further Undertakings from the Covenantors

Under the Deed of Non-competition, each of the Covenantors has further undertaken to us the following:

(i) it shall provide, and shall procure its close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by the independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantor's and its close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition, including but not limited to any decision described in paragraph (v) below or in relation to the pre-emptive right to restrict the transfer;

(ii) the Covenantor (and on behalf of its close associates (other than members of our Group) from time to time) shall provide to us annually with an annual declaration for inclusion in our annual report, in respect of compliance with the terms of the Deed of Non-competition;

(iii) the Covenantor has agreed and authorized the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual report or by way of announcement;

(iv) during the Relevant Period (as defined below), in the event that the Covenantor or its close associates (other than members of our Group) are given any business opportunity relating to the New Business Opportunity, the Covenantor shall, and shall procure its close associates (other than members of our Group) to , inform us of such New Business Opportunity in writing with all available information of the New Business Opportunity as soon as practicable and shall use its best endeavor to assist us in obtaining such New Business Opportunity on the same or more favorable terms;

(v) when there is any New Business Opportunity, all independent non-executive Directors but excluding any independent non-executive Directors with conflicted interests will form a committee (the "**Independent Board Committee**") and in the event that the Independent Board Committee decides that our Group should not take up such New Business Opportunity as referred to in paragraph (iv) above within a commercially reasonable period and undertake by written notice, the Covenantor and its close associates (other than members of our Group) may take up such business opportunity and the involvement in the business derived from such New Business Opportunity shall not be regarded as a breach of the Deed of Non-competition; and

(vi) since the effective date of the Deed of Non-competition, the Covenantor agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of or in connection with any failure to comply with the terms of the Deed of Non-competition by the Covenantor or its close associates (other than members of our Group).

Where the Covenantors and/or their respective close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (v) above, the Covenantors and/or their respective close associates (other than members of our Group) shall provide our Group with pre-emptive right (the "**Pre-Emptive Right**") to acquire any such Restricted Business under the same circumstances. Where the Independent Board Committee decides to waive our Pre-Emptive Right by way of written notice, the Covenantors and/or their respective close associates (other than members of our Group) may offer to sell such Restricted Business (as defined below) to other third parties on such terms which are no more favorable than those made available to our Group.

Where the Covenantors and/or their respective close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (v) above, the Covenantors and/or their respective close associates (other than members of our Group) has undertaken to grant us the option (the "**Options for Acquisition**") which is exercisable at any time during the term of the Relevant Period (as defined below), to purchase at one or more times any equity interest, assets or other interests which form part/or all of such Restricted Business as described above, or to operate the Restricted Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or any legally binding document, the Options for Acquisition shall be subject to such third-party rights. In these circumstances, the Covenantors will use their best endeavors to procure the third party to waive such pre-emptive rights.

The Covenantors and/or their respective close associates (other than members of our Group) have further unconditionally and irrevocably undertaken that they and/or their respective close associates (other than members of our Group) will not take advantage of his/her/its connections with our Group and/or our Shareholders, or his/her/its position as a shareholder of any member of our Group, to participate or be engaged in any activities which may be detrimental to the interests of our Group and our other Shareholders.

The Covenantors have further unconditionally and irrevocably undertaken that except with the prior written consent of our Group, the Covenantors shall not, and shall procure their respective close associates (other than members of our Group) will not, directly or indirectly:

(i) any time induce or attempt to induce any director, manager or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or

(ii) alone or jointly with any other person through or as director, manager, adviser, consultant, employee of or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Our Company will disclose the decisions with basis on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement(s) to the public. For the purposes of the above, the "**Relevant Period**" means the period commencing from the date on which the Deed of Non-competition becomes effective and shall expire on the earlier of (a) the date when each of the Covenantors and, as the case may be, any of their respective close associates (other than members of our Group) cease to hold, or otherwise hold, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company and is not in a position to control the composition of a majority of the Board; or (b) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(i) where a Shareholders' meeting is held for considering proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(iii) The Independent Board Committee comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Business Opportunities referred to our Group by our Controlling Shareholders (or their respective close associates other than members of our Group) and the exercise of the Pre-Emptive Right under the Deed of Non-competition. The Independent

Board Committee comprising all independent non-executive Directors, taken as a whole, has the relevant expertise and experience in deciding the New Business Opportunities or the exercise of the Pre-Emptive Right. For more details of the biographies of our independent non-executive Directors, please see the section headed "Directors and Senior Management" in this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial advisers and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters.

(iv) Any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules.

(v) In the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements to the public.

(vi) Our Company has appointed Orient Capital (Hong Kong) Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after Listing.

We have entered into certain agreements and arrangements with certain individual and entities that will, upon Listing, become our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

Connected Person	Connected Relationship
Handan Renhe Hospital	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
Handan Zhaotian Hospital	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
Kaiyuan Jiehua Hospital	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
Hygeia Hospital Management	a wholly-owned subsidiary of Xiangshang Investment, which is in turn owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively, and hence an associate of Mr. Zhu and Ms. Zhu
Ms. Zhu	one of our Controlling Shareholders
Shanghai Rongqiao Biotech Co., Ltd. (上海榮喬生物科技有限公司) ("**Shanghai Rongqiao**")	a company ultimately controlled by Ms. Ji Hairong, the spouse of Mr. Zhu, and hence an associate of Mr. Zhu
Xiangshang Investment	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

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

	Nature of Transactions	Applicable Listing Rules	Waiver Sought
	Fully-exempt Continuing Connected Transactions		
1.	Office Property Lease Agreement	14A.76(1)(c)	N/A
2.	Production Facility Lease Agreement	14A.76(1)(a)	N/A
	Non-exempt Continuing Connected Transactions		
1.	Hospital Management and Cooperation Agreements	14A.76(2)(a)	Announcement
2.	Contractual Arrangements	Rule 14A.34-36 Rule 14A.49 Rule 14A.52-53 Rule 14A.59 Rule 14A.105	Announcement, circular, independent shareholders' approval, annual cap and term of agreements not exceeding three years

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Office Property Lease Agreement

Gamma Star Tech entered into a property lease agreement with Ms. Zhu on January 1, 2019 (the "**Office Property Lease Agreement**"), pursuant to which Ms. Zhu agreed to lease certain properties located at Units 702 to 707, 7/F, Enterprise Plaza, No. 228 Meiyuan Road, Jingan District, Shanghai, the PRC with a GFA of 458.63 sq.m. to Gamma Star Tech for office use.

The Office Property Lease Agreement was agreed upon on normal commercial terms after arm's length negotiations between the parties thereto, and the rents were determined based on the prevailing market rates of properties of comparable size and quality in the vicinity which are available to Independent Third Parties. Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has confirmed that the rents payable by our Group under the Office Property Lease Agreement are fair, reasonable and no less favorable to our Group than those offered by Independent Third Parties.

The Office Property Lease Agreement is for a term commencing on January 1, 2019 until December 31, 2021 and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under the Office Property Lease Agreement is expected to be, on an annual basis, less than 5% and the total annual rents is expected to be less than HK$3 million, and it is on normal commercial terms or better, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Production Facility Lease Agreement

Gamma Star Tech entered into a production facility lease agreement with Shanghai Rongqiao on December 31, 2018 (the "**Production Facility Lease Agreement**"), pursuant to which Shanghai Rongqiao agreed to lease the production facility located at No. 588 Jinren Road, Jinshan Industrial District, Shanghai, the PRC with a GFA of 2,170 sq.m. and provide relevant property management services to Gamma Star Tech for the production of our proprietary SRT equipment.

The Production Facility Lease Agreement was agreed upon on normal commercial terms after arm's length negotiations between the parties thereto, and the rents and property management fees were determined based on the prevailing market rates of properties of comparable size and quality in the vicinity which are available to Independent Third Parties. Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has confirmed that the rents payable by our Group under the Production Facility Lease Agreement are fair, reasonable and no less favorable to our Group than those offered by Independent Third Parties.

The Production Facility Lease Agreement is for a term commencing on January 1, 2019 until December 31, 2021 and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under the Production Facility Lease Agreement is expected to be, on an annual basis, less than 0.1% and it is on normal commercial terms or better, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Hospital Management and Cooperation Agreements

We manage and operate, and receive management fees from our Managed Hospitals. We also provide Radiotherapy Center Services to these hospitals pursuant to the cooperation agreements we entered into with them. For details of our hospital management business and Radiotherapy Center Services, please see the sections headed "Business – Our Hospital Management Business" and "Business – Our Oncology-related Service Offerings – Our Third-party Radiotherapy Business."

Principal Terms

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**"), our Group are 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 us. The term of the Hospital Management Agreements is for a period of 40 years from the respective signing date.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors consider the term of the Hospital Management Agreements which is of a duration longer than three years is a justifiable and normal business practice in China because (i) 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 from not-for-profit hospitals in China, (ii) the Group can obtain the economic benefits derived from the Managed Hospitals as management service fees under the Hospital Management Agreements, and (iii) a term longer than three years can ensure our provision of management services and the flow of economic benefits to our Group on a stable and uninterrupted basis. Moreover, similar management services arrangements utilized by other companies in the PRC healthcare industry often include lengthy terms of more than three years, subject to termination upon mutual consents or other termination for causes. Frost & Sullivan, our independent industry consultant, also confirmed that a term of more than three years is normal business practice for hospital management agreements entered into with not-for-profit hospitals. As such, our Directors are of the view that it is beneficial to our Group and our Shareholders as a whole to enter into the Hospital Management Agreements for a term of more than three years and such arrangement is in line with normal business practice.

See the section headed "Business – Our Hospital Management Business" in this prospectus for details of the key terms of the Hospital Management Agreements.

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**", together with the Hospital Management Agreements, the "**Hospital Management and Operation Agreements**") to provide Radiotherapy Center Services to the Managed Hospitals in exchange for service fees. 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 us and the Managed Hospitals under the Cooperation Agreements with Managed Hospitals.

	Name of Managed Hospital	Term of cooperation with us
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)

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors are of the view that the term of the Cooperation Agreements with Managed Hospitals which is of a duration longer than three years is necessary for the operation of our radiotherapy center business because we need to make substantial capital commitment, time and management efforts in relation to licensing our proprietary SRT equipment, providing maintenance and technical support services and conducting trainings to the medical professionals on the operation of such equipment to help the radiotherapy centers to establish a stable base of customers, which makes it commercially desirable for our Group to have a sufficiently long term of cooperation with the Managed Hospitals to capture the benefits arising from our efforts made and to be made. Frost & Sullivan, our independent industry consultant, also confirmed that a team of more than three years is normal business practice for cooperation agreements entered into with hospital partners in the business similar to our third-party radiotherapy business. As such, entering into the Cooperation Agreements with Managed Hospitals for a period of more than three years promotes stability and continuity in operations, which is beneficial to our Shareholders as a whole and is in line with normal business practice.

See the section headed "Business – Our Oncology-related Service Offerings – Our Third-party Radiotherapy Business " in this prospectus for details of the key terms of the Cooperation Agreements with Managed Hospitals.

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. Handan Zhaotian Hospital is expected to resume its operations by the end of 2020.

Reasons for the Transactions

Hospital Management Agreements

We manage and operate, and receive management fees, from the Managed Hospitals during the Track Record Period. 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. Our Directors believe that it is in our interest and in line with the market practice to enter into the Hospital Management Agreements.

Cooperation Agreements with Managed Hospitals

Historically we have been providing Radiotherapy Center Services to the Managed Hospitals. Our Directors believe that provision of both management services and Radiotherapy Center Services to the Managed Hospitals generate more synergies and is in our interest and in line with our business development strategies.

Pricing Policy

The management service fees payable to us under the Hospital Management Agreements for each year are calculated as a percentage of each Managed Hospital's annual revenue, where the percentage is a fixed component set generally based on the scope of management services provided and to be provided by us to the Managed Hospital, with reference to terms and services of similar management agreements and fees charged for similar services in China's healthcare services industry.

In formulating our service fees under the Cooperation Agreements with Managed Hospitals, we generally take into consideration of various factors including (i) the value of our proprietary SRT equipment; (ii) the frequency of use of our proprietary SRT equipment, including the number of sessions for a typical course of treatment using our 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. We charge the Managed Hospitals service fees which are generally calculated as a percentage of revenue generated directly from use of our proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the relevant Cooperation Agreements with Managed Hospitals. Such expenses and costs include, among others, those arising from, or incurred in connection with handling medical disputes, replacement of the cobalt-60 source, and maintenance of our proprietary SRT equipment, if any.

Historical Amounts

The total amount of hospital management service fees in relation to the provision of management services paid by the Managed Hospitals to us for each of the three years ended December 31, 2017, 2018 and 2019 was approximately RMB1.1 million, RMB6.3 million and RMB6.2 million, respectively.

The total amount of Radiotherapy Center Services fees paid by the Managed Hospitals to us for each of the three years ended December 31, 2017, 2018 and 2019 was approximately RMB15.3 million, RMB17.7 million and RMB17.7 million, respectively.

Annual Caps

The maximum total amount of fees receivable by Gamma Star Tech from the Managed Hospitals under the Hospital Management and Operation 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	8.9	13.0	16.0
Total amount of fees receivable under the Cooperation Agreement	23.3	24.6	27.1
Total amount of fees receivable	32.1	37.6	43.1

As the amount receivable under the Hospital Management Agreements are calculated based on the percentage of the revenue of the Managed Hospitals, the proposed annual caps are estimated primarily based on the expected growth of revenue of the Managed Hospitals. When estimating the expected revenue of Managed Hospitals, our Directors have taken into account primarily (i) the historical performance of the Managed Hospitals, (ii) the estimated increase in the service capacity and patient visits as a result of the upgrading and development plan of the Managed Hospitals, further investment in the oncology and hemodialysis departments and establishment of orthopedics department in the Managed Hospitals, and (iii) the expected time when Handan Zhaotian Hospital resumes operation.

As the amount receivable under the Cooperation Agreements with Managed Hospitals are calculated based on the revenue generated by the Managed Hospitals directly from use of our proprietary SRT equipment, the proposed annual caps are estimated primarily based on the expected growth of revenue in relation to the radiotherapy treatment services of the Managed Hospitals. When estimating the expected revenue in relation to the radiotherapy treatment services of the Managed Hospitals, our Directors have taken into account primarily (i) the average spending per patient for radiotherapy treatment at the Managed Hospitals, (ii) the historical number of patients received for radiotherapy treatment and the estimated increase in such number of patients, and (iii) the expected time when Handan Zhaotian Hospital resumes operation.

At the end of 2022, our Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum amount of fees receivable under the Hospital Management and Operation Agreements for an additional three-year period.

Listing Rules Implications

As the Hospital Management Agreements and Cooperation Agreements with Managed Hospitals were entered into by our 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.

2. Contractual Arrangements

Background

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 our VIE Hospitals and to obtain the maximum economic benefits of these hospitals, on April 8, June 20 and December 18, 2019, we entered into the Contractual Arrangements with our VIE Hospitals, Hygeia Hospital Management 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 our Group has become entitled to all the economic benefits derived from their operations.

See the section headed "Contractual Arrangements" in this prospectus for details of the key terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as two of the parties to the Contractual Arrangements, namely Xiangshang Investment and Hygeia Hospital Management, are connected persons of our Company.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, and any member of our Group (the "**New Intergroup Agreements**") technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the Listing, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, announcement, circular and independent Shareholders' approval requirements.

WAIVERS APPLICATIONS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Hospital Management and Operation Agreements

In respect of the Hospital Management and Operation Agreements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Hospital Management and Operation Agreements pursuant to Rule 14A.105 of the Listing Rules subject to the condition that the annual caps stated above are not exceeded.

Contractual Arrangements

In respect of the Contractual Arrangements, we have 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 our Shares are listed on the Stock Exchange, subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Hygeia Hospital Management and the VIE Hospitals through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interests and assets attributable to Hygeia Hospital Management at the minimum amount of consideration permitted under applicable PRC laws, (ii) the business structure under which the profit generated by Hygeia Hospital Management and the VIE Hospitals is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Gamma Star Tech by Hygeia Hospital Management under the Exclusive Operation Services Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the VIE Hospitals (other than the 18.44% equity interest in Shanxian Hygeia Hospital held by the Shanxian ESOP Platforms upon the Listing) and Hygeia Hospital Management.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our 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 our Group which our 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. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year 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 our 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 our Group, and (iv) any new contracts entered into, renewed or reproduced between our Group and Hygeia Hospital Management during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's reporting accountants will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that (i) 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 our Group; and (ii) 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 our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Hygeia Hospital Management is our subsidiary, and at the same time, the directors, chief executives or substantial shareholder of Hygeia Hospital Management and its associates will be treated as connected persons of our Company (excluding for this purpose, Hygeia Hospital Management), and transactions between these connected persons and our Group (including for this purpose, Hygeia Hospital Management), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Hygeia Hospital Management will undertake 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.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and Hygeia Hospital Management will continue to be treated as our subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Hygeia Hospital Management and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Hygeia Hospital Management), and transactions between these connected persons and our Group (including for this purpose, Hygeia Hospital Management), other than those under the Contractual Arrangements and the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions, and for which waivers have been sought, have been entered into and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the duration of the Hospital Management and Cooperation Agreements is in line with normal business practice.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above non-exempt continuing connected transactions, (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group, our independent industry consultant, and our PRC Legal Advisors. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of our Company's business, on normal commercial terms, are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the Joint Sponsors concur with our Directors' view that the duration of the Hospital Management and Cooperation Agreements is in line with normal business practice.

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Global Offering.

Authorized Share Capital		**Aggregate par value**
5,000,000,000	Shares of US$0.00001 each	US$50,000

Issued and to be issued, fully paid or credited as fully paid		**Aggregate par value**	**% of the issued share capital**
17,241,560	Shares in issue as of the date of this prospectus	US$172.4156	2.9%
462,758,440	Shares to be issued pursuant to the Capitalization Issue	US$4,627.5844	77.1%
120,000,000	Shares to be issued pursuant to the Global Offering	US$1,200	20.0%
600,000,000	**Total**	US$6,000	100%

ASSUMPTION

The above table assumes that the Global Offering has become unconditional. It takes no account of any Shares (a) which may be issued pursuant to the exercise of the Over-allotment Option; or (b) which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

PRE-IPO SHARE INCENTIVE PLANS

On July 17, 2019, we adopted a Pre-IPO Restricted Share Scheme. Please see the section headed "Statutory and General Information – D. Pre-IPO Share Incentive Plans – 1. Pre-IPO Restricted Share Scheme" in Appendix IV to this prospectus for further details.

On July 17, 2019, we adopted a Pre-IPO Share Award Scheme which recognized the share incentive plan implemented by Gamma Star in July 2018. Please see the section headed "Statutory and General Information – D. Pre-IPO Share Incentive Plans – 2. Pre-IPO Share Award Scheme" in Appendix IV to this prospectus for further details.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce or redeem its share capital by special shareholders' resolution. For more details, see the section headed "Summary of the Constitution of Our Company and the Cayman Companies Law" in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please see the section headed "Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of all our Shareholders passed on June 8, 2020" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of all our Shareholders passed on June 8, 2020" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please see the section headed "Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of all our Shareholders passed on June 8, 2020" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the following persons are expected to have an interest and/or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Number of Shares held immediately following the completion of the Capitalization Issue and the Global Offering	Approximate percentage of shareholding in our Company immediately following the completion of the Capitalization Issue and the Global Offering[1]
Mr. Zhu[2][4]	Interest in a controlled corporation/Interest of concert parties	278,753,709	46.46%
Century River Investment[2][4]	Interest in a controlled corporation/Interest of concert parties	278,753,709	46.46%
Century River[2][4]	Beneficial interest/Interest of concert parties	278,753,709	46.46%
Ms. Zhu[3][4][7]	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	278,753,709	46.46%
Red Palm Investment[3][4]	Interest in a controlled corporation/Interest of concert parties	278,753,709	46.46%
Amber Tree[3][4]	Beneficial interest/Interest of concert parties	278,753,709	46.46%
Red Palm[3][4]	Beneficial interest/Interest of concert parties	278,753,709	46.46%
Fountain Grass[5]	Beneficial interest	82,756,038	13.79%
Harmony Healthcare[6]	Beneficial interest	37,216,679	6.20%

Notes:

(1) The calculation is based on the total number of 600,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

(2) 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.

(3) 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.

(4) 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. See "History, Reorganization and Corporation Structure – Reorganization – Concert Party Arrangement" for details. 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.

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

(6) Harmony Healthcare Investment Holdings Limited is wholly-owned by Guokai Boyu No. 2 (Shanghai) Equity Investment Partnership (Limited Partnership) (國開博裕二期(上海)股權投資合伙企業(有限合伙)), the general partner of which is Boyu Guangqu Taoran (Shanghai) Investment Management Partnership (Limited Partnership) (博裕廣渠陶然(上海)投資管理合伙企業(有限合伙)). 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) 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.

Save as disclosed above and in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders" in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors (collectively the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

The Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest board lot of 200 Shares) that may be subscribed for at an aggregate amount of US$143 million, or approximately HK$1,108 million.

Based on the Offer Price of HK$18.50 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 59,903,600, representing, assuming that the Over-allotment Option is not exercised, approximately 49.92% of the Offer Shares and approximately 9.98% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$17.75 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 62,435,000, representing, assuming that the Over-allotment Option is not exercised, approximately 52.03% of the Offer Shares and approximately 10.41% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$17.00 per Offer Share, being the low-end of the indicative Offer Price rage set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 65,189,200, representing, assuming that the Over-allotment Option is not exercised, approximately 54.32% of the Offer Shares and approximately 10.86% of the total issued share capital immediately upon completion of the Global Offering.

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the healthcare sector, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction from the Underwriters in the Global Offering.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue immediately following completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to their respective cornerstone investment agreement. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined in the Listing Rules).

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates. Further, China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司), one of the Cornerstone Investors, is a "connected client" of Huatai Financial Holdings (Hong Kong) Limited, one of the Underwriters. We have applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit China Southern Asset Management Co., Ltd. to participate in the Global Offering as a Cornerstone Investor. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus for further details.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side agreements or arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure and Conditions of the Global Offering – The Hong Kong Public Offering" in this prospectus. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around Friday, June 26, 2020. Pursuant to the cornerstone investment agreements with the Cornerstone Investors, the Cornerstone Investors will make full payment of their respective investment amount by same day value credit at or before 9:00 a.m. (Hong Kong time) on the Listing Date, and there is no mechanism for the delayed settlement of the investment amounts or deferred delivery arrangement in respect of the shares to be subscribed by the Cornerstone Investors in the respective cornerstone investment agreements.

THE CORNERSTONE INVESTORS

The following tables set forth details of the Cornerstone Placing and approximate percentage of total number of Offer Shares and percentage of total issued share capital of our Company upon Listing, based on different Offer Price scenarios:

		Based on Offer Price of HK$18.50 (being the high-end of the indicative Offer Price range)				
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor	**Investment Amount[(Note)]**	**Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 200 Shares)**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
Hillhouse Capital	US$50 million	20,945,600	17.44%	15.17%	3.48%	3.38%
OrbiMed Funds	US$20 million	8,378,200	6.98%	6.07%	1.39%	1.36%
Tiger Pacific Master Fund LP	US$16 million	6,702,600	5.59%	4.86%	1.12%	1.08%
China Southern Asset Management Co., Ltd.	US$15 million	6,283,600	5.24%	4.55%	1.05%	1.02%
Lake Bleu Prime Healthcare Master Fund Limited	US$12 million	5,026,800	4.19%	3.64%	0.84%	0.81%
Sage Partners Master Fund	US$10 million	4,189,000	3.49%	3.04%	0.70%	0.68%
Hudson Bay Master Fund Ltd	US$10 million	4,189,000	3.49%	3.04%	0.70%	0.68%
Golden Valley Global Limited	US$5 million	2,094,400	1.75%	1.52%	0.35%	0.34%
Foresight Orient Global Superior Choice SPC	US$5 million	2,094,400	1.75%	1.52%	0.35%	0.34%
Total	**US$143 million**	**59,903,600**	**49.92%**	**43.41%**	**9.98%**	**9.69%**

Note:

Calculated based on the exchange rate as disclosed in this prospectus. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate as provided in the relevant cornerstone investment agreement.

Cornerstone Investor	Investment Amount(Note)	Based on Offer Price of HK$17.75 (being the mid-point of the indicative Offer Price range)				
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
		Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 200 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Hillhouse Capital	US$50 million	21,830,600	18.18%	15.82%	3.63%	3.53%
OrbiMed Funds	US$20 million	8,732,200	7.28%	6.33%	1.46%	1.41%
Tiger Pacific Master Fund LP	US$16 million	6,985,800	5.82%	5.06%	1.16%	1.13%
China Southern Asset Management Co., Ltd.	US$15 million	6,549,200	5.46%	4.75%	1.09%	1.06%
Lake Bleu Prime Healthcare Master Fund Limited	US$12 million	5,239,200	4.37%	3.80%	0.87%	0.85%
Sage Partners Master Fund	US$10 million	4,366,000	3.64%	3.16%	0.73%	0.71%
Hudson Bay Master Fund Ltd	US$10 million	4,366,000	3.64%	3.16%	0.73%	0.71%
Golden Valley Global Limited	US$5 million	2,183,000	1.82%	1.58%	0.36%	0.35%
Foresight Orient Global Superior Choice SPC	US$5 million	2,183,000	1.82%	1.58%	0.36%	0.35%
Total	**US$143 million**	**62,435,000**	**52.03%**	**45.24%**	**10.41%**	**10.10%**

Note:

Calculated based on the exchange rate as disclosed in this prospectus. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate as provided in the relevant cornerstone investment agreement.

Cornerstone Investor	Investment Amount (Note)	Based on Offer Price of HK$17.00 (being the low-end of the indicative Offer Price range): Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 200 Shares)	Approximate percentage of total number of Offer Shares: Assuming the Over-allotment Option is not exercised	Approximate percentage of total number of Offer Shares: Assuming the Over-allotment Option is exercised in full	Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering: Assuming the Over-allotment Option is not exercised	Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering: Assuming the Over-allotment Option is exercised in full
Hillhouse Capital	US$50 million	22,793,800	18.98%	16.52%	3.79%	3.68%
OrbiMed Funds	US$20 million	9,117,400	7.60%	6.61%	1.52%	1.47%
Tiger Pacific Master Fund LP	US$16 million	7,294,000	6.08%	5.29%	1.22%	1.18%
China Southern Asset Management Co., Ltd.	US$15 million	6,838,000	5.70%	4.96%	1.14%	1.11%
Lake Bleu Prime Healthcare Master Fund Limited	US$12 million	5,470,400	4.56%	3.96%	0.91%	0.89%
Sage Partners Master Fund	US$10 million	4,558,600	3.80%	3.30%	0.76%	0.74%
Hudson Bay Master Fund Ltd	US$10 million	4,558,600	3.80%	3.30%	0.76%	0.74%
Golden Valley Global Limited	US$5 million	2,279,200	1.90%	1.65%	0.38%	0.37%
Foresight Orient Global Superior Choice SPC	US$5 million	2,279,200	1.90%	1.65%	0.38%	0.37%
Total	**US$143 million**	**65,189,200**	**54.32%**	**47.24%**	**10.86%**	**10.55%**

Note:

Calculated based on the exchange rate as disclosed in this prospectus. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate as provided in the relevant cornerstone investment agreement.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

Hillhouse Capital

Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

OrbiMed Funds

OrbiMed Partners Master Fund Limited ("**OPM**"), OrbiMed Genesis Master Fund, L.P. ("**Genesis**"), OrbiMed New Horizons Master Fund, L.P. ("**ONH**"), and Worldwide Healthcare Trust PLC ("**WWH**" and, collectively, the "**OrbiMed Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20 million at the Offer Price.

OrbiMed Capital LLC is the investment advisor for OPM and the portfolio manager of WWH. OPM is an exempted company limited by shares incorporated under the laws of Bermuda. WWH is a publicly listed trust organized under the laws of England. Genesis and ONH are each exempted limited partnerships incorporated under the laws of the Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein.

WWH is listed on the London Stock Exchange (LON: WWH). The approval of the London Stock Exchange is not required for WWH's subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

Tiger Pacific Master Fund LP

Tiger Pacific Master Fund LP is an exempted limited partnership formed in the Cayman Islands which is managed by Tiger Pacific Capital LP. Tiger Pacific Capital LP ("**TPC**" or "**Tiger Pacific**") is an investment manager that specializes in Asian equity markets. TPC utilizes an investment approach that is based on deep fundamental analysis and a disciplined valuation framework, to identify investment opportunities with strong underlying structural trends and favorable risk/reward profiles. TPC was founded at the beginning of 2013 and is affiliated with Julian Robertson's Tiger Management, LLC. TPC is located in New York with an additional research office in Hong Kong.

China Southern Asset Management Co., Ltd.

China Southern Asset Management Co., Ltd. (南方基金管理有限公司) was established in the PRC on March 6, 1998 approved by the CSRC and was converted into a joint stock limited company under the name of China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司) ("**China Southern**") on January 4, 2018. China Southern is headquartered in Shenzhen. As of March 31, 2020, China Southern had a total amount of assets under management ("**AUM**") of RMB1,139.7 billion on a consolidated basis, with China Southern itself having a total AUM of RMB982.1 billion, among the largest in the industry. China Southern manages 221 mutual funds with a total AUM of RMB649.6 billion and serves over 119 million clients.

The shareholders of China Southern include (i) Huatai Securities Co., Ltd. (華泰證券股份有限公司, holding 41.16% in China Southern), which is listed on the Hong Kong Stock Exchange (Stock Code: 6886.HK), the Shanghai Stock Exchange (Stock Code: 601688.SH) and the London Stock Exchange (HTSC.UK), and (ii) Industrial Securities Co., Ltd. (興業證券股份有限公司, holding 9.15% in China Southern), which is listed on the Shanghai Stock Exchange (Stock Code: 601377.SH). Approval of the shareholders of each of Huatai Securities Co., Ltd. (華泰證券股份有限公司) and Industrial Securities Co., Ltd. (興業證券股份有限公司), the Hong Kong Stock Exchange, the Shanghai Stock Exchange or the London Stock Exchange is not required for the subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

Lake Bleu Prime Healthcare Master Fund Limited

Lake Bleu Capital (Hong Kong) Limited acts as the investment manager to Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**"). Lake Bleu Prime, an Exempted Company incorporated in the Cayman Islands, is a long-bias public equity fund with investments focused on Asia/Greater China healthcare, including pharmaceuticals, biotech, medical devices, and healthcare services.

Sage Partners Master Fund

Sage Partners Master Fund ("**Sage Partners**") is an exempted company incorporated in Cayman Islands, and is managed by Sage Partners Limited, a Hong Kong incorporated SFC type 9 licensed investment management company. Sage Partners mainly focuses on investment opportunities in the healthcare sector by deploying a long-term fundamental-based approach.

Sage Partners Limited was established in 2019 by Dr. Fei Wang, who is an experienced healthcare fund manager with over 10 years of healthcare investment experience in the US and Asia, as well as several years of pharmaceutical industry experience. Dr. Fei Wang is the ultimate controlling shareholder of Sage Partners Limited.

Hudson Bay Master Fund Ltd

Hudson Bay Capital ("**HBC**") is a multi-billion dollar asset management firm operating in New York and London. With over 80 employees, HBC has been managing assets on behalf of outside investors since 2006. The firm invests across multiple strategies by utilizing rigorous fundamental analysis and seeks to identify value and growth opportunities that are uncorrelated to each other and market indices. HBC promotes an integrated team culture emphasizing collaboration and cross-pollination of ideas across sectors and strategies. Its dedicated investment team seeks to achieve outstanding performance by investing in companies that are poised for growth or are undervalued while maintaining a focus on risk management.

Golden Valley Global Limited

Golden Valley Global Limited is a business company established in 2016 by Loyal Valley Capital ("**LVC**"), a private equity firm that mainly focuses on the following segments: new consumer (media, entertainment and education), healthcare and also covers specialty industrials and financial services. The LVC has invested in a number of healthcare companies such as Shanghai Junshi Biosciences Co., Ltd., Shanghai Henlius Biotech, Inc. and InnoCare Pharma Limited. Golden Valley Global Limited is ultimately controlled by Mr. Lijun Lin.

Foresight Orient Global Superior Choice SPC

Foresight Orient Global Superior Choice SPC – Global Superior Choice Series Fund 1 SP and Foresight Orient Global Superior Choice SPC – Vision Fund 1 SP are both sub funds of Foresight Orient Global Superior Choice SPC, which was incorporated in the Cayman Islands.

The funds are managed by Orient Asset Management (Hong Kong) Limited, a subsidiary of Orient Finance Holdings (Hong Kong) Limited, and a licensed corporation as defined under the SFO for Type 9 (asset management) regulated activities as defined under the SFO. Orient Finance Holdings (Hong Kong) Limited is a wholly owned subsidiary of DFZQ (東方證券股份有限公司), which is listed on the Stock Exchange (Stock Code: 3958.HK) and Shanghai Stock Exchange (Stock Code: 600958.SH). The approval of DFZQ's shareholders, the Hong Kong Stock Exchange or the Shanghai Stock Exchange is not required for the subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement. Foresight Fund Management Co., Ltd, an asset management company based in Shanghai, founded by Mr. Guangming Chen, is the investment advisor of the funds.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Representatives (for themselves and on behalf of the other underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be subscribed for by the Cornerstone Investors as well as other applicable waivers and approvals) and that such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no Laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or under the relevant cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings, confirmations and acknowledgements of the Investor under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that without the prior written consent of each of our Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, dispose of any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries or affiliates who will be bound by the same obligations of such Cornerstone Investor.

FUTURE PLANS

See the section headed "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$17.75 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK$1,985.8 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 60% (or HK$1,191.5 million) for upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are our self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan. Please see "Business – Our Future Expansion – Organic Growth" for more details;

- approximately 30% (or HK$595.7 million) for acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. Please see "Business – Our Future Expansion – Strategic Acquisitions" for more details;

- approximately 5% (or HK$99.3 million) for upgrading our information technology systems. Please see "Business – Information Technology Systems" for more details; and

- approximately 5% (or HK$99.3 million) for working capital and other general corporate purposes.

If the Offer Price is fixed at HK$18.50 per Offer Share (being the high-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$86.4 million. If the Offer Price is fixed at HK$17.00 per Offer Share (being the low-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$86.4 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-end of the estimated Offer Price range.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$319.7 million (assuming an Offer Price of HK$18.50 per Offer Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$306.7 million (assuming an Offer Price of HK$17.75 per Offer Share, being the mid-end of the Offer Price range stated in this prospectus) and (iii) HK$293.7 million (assuming an Offer Price of HK$17.00 per Offer Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to allocate part or all of the proceeds to short-term interest-bearing deposits and/or money market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

Morgan Stanley Asia Limited
Haitong International Securities Company Limited
Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed upon between our Company and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 12,000,000 Hong Kong Offer Shares and the International Offering of initially 108,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Representatives (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst others, the execution and delivery of the International Underwriting Agreement and the obligations of the International Underwriters thereunder having become unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall in their sole and absolute discretion be entitled by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, interruption in transportation, destruction of power plant, outbreak of infectious diseases or epidemics including, but not limited to, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC, unless such supplemental or amendment has been issued with the prior written approval of the Joint Sponsors; or

(viii) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim being threatened or instigated against any member of the Group or any Director; or

(x) any contravention by any member of the Group, any Director of the Companies Ordinance, the PRC Company Law or the Listing Rules (to the extent applicable); or

(xi) any executive Directors or the Chief Executive Officer vacating his or her office, or being charged with an indictable offence or prohibited by operation of Laws (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management of a company; or

(xii) a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of the Group or any Director; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law (as defined in the Hong Kong Underwriting Agreement); or

(xiv) any valid demand by creditors for repayment of indebtedness before its maturity or any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xvi) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any member of the Group,

and which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives:

(1) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Group as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(3) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the Formal Notice, the preliminary offering circular or the offering circular; or

(4) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Representatives:

(i) that any statement contained in this prospectus and the Application Forms (the "**Hong Kong Public Offering Documents**") and/or any public notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect or misleading in any respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any public notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the Hong Kong Public Offering Documents, constitutes a material omission therefrom; or

(iii) either (i) there has been a material breach of the provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company and the Controlling Shareholders or (ii) any of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company and the Controlling Shareholders pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or

(v) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and/or references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of this prospectus; or

(vi) any material adverse change or any development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of the Company and its subsidiaries, as a whole; or

(vii) the grant or agreement to grant by the Listing Committee of the Stock Exchange of the listing on the Main Board of, and permission to deal in, the Shares on the Main Board (the "**Admission**") is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(viii) the Company has withdrawn the Hong Kong Public Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering (including the Over-allotment Option), it will not, and shall procure that none of its close associates will, without the prior written consent of the Stock Exchange or unless otherwise permitted under the Listing Rules:

(a) at any time in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner, provided that the above shall not prevent each of the Controlling Shareholders using securities of the Company beneficially owned by each of them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

(b) at any time in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a Controlling Shareholder of our Company.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by it/him/her as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Further, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 6 months from the Listing Date:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us and the Stock Exchange of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us and the Stock Exchange of such indications;

We will inform the Stock Exchange as soon as we have been informed of the above matters, if any, by our Controlling Shareholders and disclose such matters as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**First Six Month Period**"), it will not (and each of our Controlling Shareholders shall procure that the Company will not itself) without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction described in Clause (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period). The Company further agrees that, in the event the Company is allowed to enter into any of the transactions described in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "Second Six Month Period"), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders hereby undertakes to each of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, or unless pursuant to Note (2) to Rule 10.07 of the Listing Rules:

(a) he/she/it will not, during the First Six Month Period, (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other equity securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or equity securities or any interest therein); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or equity securities or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise;

(b) he/she/it will not, during the Second Six-Month Period, enter into any transaction described in paragraph (a) (i), (ii), (iii) or (iv) above if, immediately following such transaction, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any such transactions specified in paragraph (a) (i), (ii), (iii) or (iv) above, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the Shares or other equity securities of the Company.

Indemnity

We have agreed to indemnify the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 18,000,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters. In addition we may, at our sole and absolute discretion, pay additional discretionary incentive fee up to 1.0% of the aggregate Offer Price of the Hong Kong Offer Shares.

The aggregate commissions and fees (including the maximum discretionary incentive fee), together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$144.2 million (assuming (i) an Offer Price of HK$17.75 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), and (ii) the Over-allotment Option is not exercised at all), are payable and borne by our Company.

Joint Sponsors' Fee

An amount of US$500,000 is payable by our Company as sponsor fees to each of the Joint Sponsors, totaling an amount of US$1,000,000.

Other Services Provided by the Underwriters

The Joint Representatives and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Representatives and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the Shares.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure and Conditions of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us, our affiliates or our shareholders including cornerstone investors for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 12,000,000 Offer Shares (subject to reallocation) in Hong Kong as described below in the paragraph headed "– The Hong Kong Public Offering"; and

(ii) the International Offering of an aggregate of initially 108,000,000 Shares (subject to reallocation and the Over-allotment Option), consisting of the offering of our Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act, as described below in the paragraph headed "– The International Offering". At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Representatives, as representatives of the International Underwriters, have an option to require us to issue and allot up to 18,000,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option, if any, is exercised in full, the additional Offer Shares will represent approximately 2.91% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option, if any. In the event that the Over-allotment Option, if any, is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 20.0% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option, if any. If the Over-allotment Option, if any, is exercised in full, the Offer Shares will represent approximately 22.3% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option, if any, as set out in the paragraph headed "– The International Offering – Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "– The Hong Kong Public Offering – Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 12,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 2.0% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option, if any, is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– The International Offering – Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (subject to any reallocation referred to below) is to be divided into two pools: 6,000,000 Offer Shares for pool A and 6,000,000 Offer Shares for pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such under subscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 6,000,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached ("**Mandatory Reallocation**"). In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 36,000,000, 48,000,000 and 60,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Representatives and the Joint Sponsors deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Representatives and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives and the Joint Sponsors deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Representatives and the Joint Sponsors may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering.

In addition to any Mandatory Reallocation which may be required, the Joint Representatives (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$17.00 per Offer Share (being the low end of the indicative Offer Price range), up to 12,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the maximum total number of the Shares available under the Hong Kong Public Offer will be increased to 24,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$18.50 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "– The International Offering – Pricing of the Global Offering" below, is less than the maximum price of HK$18.50 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 108,000,000 Offer Shares to be initially offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– The International

Offering – Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 18,000,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.91% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option, is exercised, an announcement will be made.

Stabilisation

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option, to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, if any, namely, 18,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the Shares;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option, in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price;

(e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilising Manager liquidates such long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, July 19, 2020. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Ordinance will be made within seven days of the expiration of the stabilising period.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may choose to borrow up to 18,000,000 Shares, representing 15% of the Offer Shares, from Century River to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising of the Over-allotment Option.

If such Stock Borrowing Arrangement is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, being that (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering; (b) the maximum number of Shares to be borrowed from Century River pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be issued upon full exercise of the Over-Allotment Option; (c) the same number of Shares so borrowed must be returned to

Century River or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-Allotment Option, and (ii) the day on which the Over-Allotment Option is exercised in full; (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements; and (e) no payments will be made to Century River by the Stabilizing Manager in relation to the stock borrowing arrangement.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, June 19, 2020 and in any event on or before Monday, June 22, 2020, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$18.50 per Offer Share and is expected to be not less than HK$17.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Joint Representatives, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.hygeia-group.com.cn**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Representatives, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option, if any, is not exercised) are estimated to be approximately HK$2,072.2 million, assuming an Offer Price per Share of HK$18.50, or approximately HK$1,899.4 million, assuming an Offer Price per Share of HK$17.00 (or if the Over-allotment Option, if any, is exercised in full, approximately HK$2,391.9 million, assuming an Offer Price per Share of HK$18.50, or approximately HK$2,193.2 million, assuming an Offer Price per Share of HK$17.00).

The Offer Price for Shares under the Global Offering is expected to be announced on Friday, June 26, 2020. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, June 26, 2020 on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.hygeia-group.com.cn**).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting".

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;

(ii) the Offer Price having been agreed among the Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the Company's website at **www.hygeia-group.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Friday, June 26, 2020 but will only become valid certificates of title at 8:00 a.m. on Monday, June 29, 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 29, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, June 29, 2020.

The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 6078.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a legal or natural person of the PRC;
- are not an existing Shareholder and/or his/her/its close associate;
- are not a core connected person of the Company and will not become a core connected person of the Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number:

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES WHICH APPLICATION CHANNEL TO USE

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Tuesday, June 16, 2020 until 12:00 noon on Friday, June 19, 2020 from:

(i) any of the following offices of the Joint Global Coordinators:

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	**Branch Name**	**Address**
Hong Kong Island	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
New Territories	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 16, 2020 until 12:00 noon on Friday, June 19, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED – HYGEIA HEALTHCARE PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, June 16, 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, June 17, 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, June 18, 2020 – 9:00 a.m. to 5:00 p.m.
- Friday, June 19, 2020 – 9:00 a.m. to 12:00 noon

The application for the Hong Kong Offer Shares will commence on Tuesday, June 16, 2020 through Friday, June 19, 2020.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 19, 2020, the last application day or such later time as described in "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, the Application Form, the **IPO App** and the designated website under the **HK eIPO White Form** service and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, the Application Forms, the **IPO App** and the designated website under the **HK eIPO White Form** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications Under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 16, 2020 until 11:30 a.m. on Friday, June 19, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 19, 2020 or such later time under the "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of The Companies (Winding Up And Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square 8
Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic**

application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, June 16, 2020 – 9:00 a.m. to 8:30 p.m.
- Wednesday, June 17, 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, June 18, 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, June 19, 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, June 16, 2020 until 12:00 noon on Friday, June 19, 2020 (24 hours daily, except on Friday, June 19, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, June 19, 2020, the last application day or such later time as described in "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participant.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, June 19, 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering – The Hong Kong Public Offering – Allocation".

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- an announcement of "extreme conditions" by the Hong Kong Government in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. If the application lists do not open and close on Friday, June 19, 2020 or if there is a tropical cyclone warning signal number 8 or above or extreme conditions or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, June 26, 2020 on the Company's website at **www.hygeia-group.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below.

- in the announcement to be posted on the Company's website at **www.hygeia-group.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, June 26, 2020;
- from the "Allotment Result" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, June 26, 2020 to 12:00 midnight on Thursday, July 2, 2020;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, June 26, 2020 to Thursday, July 2, 2020 (excluding Saturday, Sunday and public holiday in Hong Kong);

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, June 26, 2020 to Monday, June 29, 2020 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** and on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Representatives believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$18.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, June 26, 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Friday, June 26, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, June 29, 2020 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Pubic Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, June 26, 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, June 26, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, June 26, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 26, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2020, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, June 26, 2020, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, June 26, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Friday, June 26, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 26, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, June 26, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, June 26, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HYGEIA HEALTHCARE HOLDINGS CO., LIMITED 海吉亚医疗控股有限公司 AND MORGAN STANLEY ASIA LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Hygeia Healthcare Holdings Co., Limited 海吉亚医疗控股有限公司 (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-90, which comprises the consolidated statements of financial position as at December 31, 2017, 2018 and 2019, the statements of financial position of the Company as at December 31, 2018 and 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-90 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 16, 2020 (the "Prospectus") in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018 and 2019 and the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 32 to the Historical Financial Information which contains information about the dividends paid by Hygeia Healthcare Holdings Co., Limited 海吉亚医疗控股有限公司 in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 16, 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of comprehensive income

		Year ended December 31,		
	Notes	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	596,480	766,142	1,085,826
Cost of revenue	*5, 8*	(427,172)	(527,407)	(755,706)
Gross profit		169,308	238,735	330,120
Selling expenses	*8*	(34,713)	(32,781)	(15,419)
Administrative expenses	*8*	(97,504)	(101,574)	(136,272)
Other income	*6*	3,772	4,150	4,895
Other gains/(losses) – net	*7*	7,524	(2,988)	(9,117)
Operating profit		48,387	105,542	174,207
Finance income	*10*	411	175	629
Finance costs	*10*	(73,537)	(78,454)	(95,516)
Finance costs – net		(73,126)	(78,279)	(94,887)
(Loss)/profit before income tax		(24,739)	27,263	79,320
Income tax expense	*11*	(21,771)	(24,845)	(39,553)
(Loss)/profit and total comprehensive (loss)/income for the year		(46,510)	2,418	39,767
(Loss)/profit and total comprehensive (loss)/income attributable to				
– Owners of the Company		(46,434)	2,588	39,767
– Non-controlling interests		(76)	(170)	–
(Losses)/earnings per share (expressed in RMB per share)*				
– Basic (losses)/earnings per share (in RMB)	*12*	(4.69)	0.26	4.00
– Diluted (losses)/earnings per share (in RMB)	*12*	(4.69)	0.19	3.84

**Note:* The (losses)/earnings per share presented above have not been taken into account the proposed capitalization issue pursuant to the resolutions in writing of all shareholders passed on June 8, 2020 because the proposed capitalization issue has not become effective as at the date of this report.

Consolidated statements of financial position

	Notes	As at December 31, 2017	2018	2019
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	791,939	1,066,204	1,122,461
Intangible assets	14	387,694	383,407	385,706
Prepayments for non-current assets	19	37,593	10,092	18,420
Deferred income tax assets	15	4,248	9,683	18,072
Total non-current assets		1,221,474	1,469,386	1,544,659
Current assets				
Inventories	16	35,330	41,017	47,016
Trade, other receivables and prepayments	19	152,177	225,068	224,936
Amounts due from related parties	36	43,951	56,467	3,169
Financial assets at fair value through profit or loss	17	50,000	–	–
Cash and cash equivalents	20	280,660	190,552	393,409
Total current assets		562,118	513,104	668,530
Total assets		1,783,592	1,982,490	2,213,189
Equity				
Equity attributable to owners of the Company				
Share capital and premium	21	–	–	2,731,464
Shares held for employee share scheme		–	–	–*
Other reserves	22	(39,856)	84,494	(2,680,702)
Accumulated losses	23	(266,799)	(276,360)	(253,368)
		(306,655)	(191,866)	(202,606)
Non-controlling interests		3,792	3,622	–
Total deficits		(302,863)	(188,244)	(202,606)

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

		As at December 31,		
	Notes	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*24*	56,000	45,000	–
Deferred income tax liabilities	*15*	20,096	27,024	32,668
Deferred revenue	*25*	28,061	27,685	28,314
Lease liabilities	*26*	7,296	63	1,307
Redeemable shares	*27*	1,573,709	1,647,674	631,674
Other non-current liabilities	*28*	8,289	7,842	7,651
Total non-current liabilities		1,693,451	1,755,288	701,614
Current liabilities				
Trade and other payables	*30*	163,641	213,233	262,474
Amounts due to related parties	*36*	182,723	154,523	16,678
Contract liabilities	*31*	12,755	12,992	9,882
Current income tax liabilities		21,967	23,629	25,454
Lease liabilities	*26*	1,918	69	1,297
Redeemable shares	*27*	–	–	1,398,396
Borrowings	*24*	10,000	11,000	–
Total current liabilities		393,004	415,446	1,714,181
Total liabilities		2,086,455	2,170,734	2,415,795
Total deficits and liabilities		1,783,592	1,982,490	2,213,189

Statements of financial position of the Company

	Notes	As at December 31, 2018	2019
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Amount due from a subsidiary	*36*	–	235,702
Investment in a subsidiary		–	4,473,882
Total non-current assets		–	4,709,584
Current assets			
Prepayments and other receivables	*19*	275	6,349
Amounts due from shareholders		–*	–*
Cash and cash equivalents	*20*	–	20,211
Total current assets		275	26,560
Total assets		275	4,736,144
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	*21*	–*	2,731,464
Shares held for employee share scheme		–	–*
Other reserves	*22*	–	(12,165)
Accumulated losses	*23*	(2,300)	(79,048)
Total (deficits)/equity		(2,300)	2,640,251
LIABILITIES			
Non-current liabilities			
Redeemable shares	*27*	–	631,674
Total non-current liabilities		–	631,674
Current liabilities			
Trade and other payables	*30*	–	47,771
Amounts due to subsidiaries	*36*	2,575	18,052
Redeemable shares	*27*	–	1,398,396
Total current liabilities		2,575	1,464,219
Total liabilities		2,575	2,095,893
Total equity and liabilities		275	4,736,144

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

Consolidated statements of changes in equity

	Notes	Attributable to owners of the Company						
		Share capital and premium	Shares held for employee share scheme	Other reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000 *(Note 21)*	*RMB'000*	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017		–	–	(20,362)	(213,535)	(233,897)	–	(233,897)
Comprehensive loss								
Loss for the year	*23*	–	–	–	(46,434)	(46,434)	(76)	(46,510)
Total comprehensive loss for the year		–	–	–	(46,434)	(46,434)	(76)	(46,510)
Transactions with owners in their capacity as owners								
Additional shares of a subsidiary issued to Mr. Zhu due to 5% anti-dilution rights	*7(b)*	–	–	2,505	–	2,505	–	2,505
Transfer to statutory reserves		–	–	6,830	(6,830)	–	–	–
Share-based compensation		–	–	27,084	–	27,084	–	27,084
Grant a higher redemption right to the redeemable shares of a subsidiary	*27*	–	–	(62,678)	–	(62,678)	–	(62,678)
Issuance of redeemable shares of a subsidiary	*27*	–	–	(26,828)	–	(26,828)	–	(26,828)
Non-controlling interests arising from business combination		–	–	–	–	–	3,868	3,868
Prepaid exercise price of restricted share scheme of a subsidiary	*29*	–	–	33,593	–	33,593	–	33,593
Total transactions with owners in their capacity as owners		–	–	(19,494)	(6,830)	(26,324)	3,868	(22,456)
Balance at December 31, 2017		–	–	(39,856)	(266,799)	(306,655)	3,792	(302,863)

		Attributable to owners of the Company						
	Notes	Share capital and premium	Shares held for employee share scheme	Other reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000 *(Note 21)*	*RMB'000*	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2018		–	–	(39,856)	(266,799)	(306,655)	3,792	(302,863)
Comprehensive income/(loss)								
Profit/(loss) for the year	23	–	–	–	2,588	2,588	(170)	2,418
Total comprehensive income/(loss) for the year		–	–	–	2,588	2,588	(170)	2,418
Transactions with owners in their capacity as owners								
Additional shares of a subsidiary issued to Mr. Zhu due to 5% anti-dilution rights	*7(b)*	–	–	2,074	–	2,074	–	2,074
Transfer to statutory reserves		–	–	12,149	(12,149)	–	–	–
Prepaid exercise price of restricted share scheme of subsidiaries	29	–	–	61,750	–	61,750	–	61,750
Deemed contribution from Excluded Business	22	–	–	52,948	–	52,948	–	52,948
Share-based compensation	29	–	–	12,629	–	12,629	–	12,629
Distribution relating to Longyan Boai Hospital under common control combination *(Note 35(a))*		–	–	(17,200)	–	(17,200)	–	(17,200)
Total transactions with owners in their capacity as owners		–	–	124,350	(12,149)	112,201	–	112,201
Balance at December 31, 2018		–	–	84,494	(276,360)	(191,866)	3,622	(188,244)

	Notes	Attributable to owners of the Company						
		Share capital and premium	Shares held for employee share scheme	Other reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000 *(Note 21)*	*RMB'000*	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*	*RMB'000*	*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	*29*	–	–*	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	*29*	–	–	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(b)*	11,355	–	–	–	11,355	–	11,355
Issuance of redeemable shares of the Company	*27*	–	–	(37,601)	–	(37,601)	–	(37,601)
Dividends	*32*	(41,941)	–	–	–	(41,941)	–	(41,941)
Acquired additional shares of a subsidiary	*1.2(e)*	–	–	(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)

Consolidated statements of cash flows

	Notes	Year ended December 31, 2017	2018	2019
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*33*	80,667	181,456	268,461
Interest received		411	175	629
Income tax paid		(14,253)	(21,690)	(40,473)
Net cash generated from operating activities		66,825	159,941	228,617
Cash flows from investing activities				
Proceeds from disposal of subsidiaries, net of cash disposed	*34*	–	(3,803)	24,800
Purchases of property, plant and equipment		(229,285)	(287,647)	(154,245)
Proceeds from disposal of property, plant and equipment and intangible assets	*33*	196	890	2,083
Purchases of intangible assets		(602)	(2,970)	(5,413)
Payments for acquisition of additional shares of a subsidiary	*35(c)*	–	–	(6,000)
Payments for acquisition of subsidiaries	*35(c)*	(19,200)	(1,680)	(1,420)
Payments for financial assets at fair value through profit or loss	*3*	(1,874,274)	(1,071,700)	(2,689,120)
Proceeds from disposal of financial assets at fair value through profit or loss	*3*	2,207,363	1,104,448	2,694,337
Net cash (used in)/generated from investing activities		84,198	(262,462)	(134,978)

	Notes	Year ended December 31, 2017	2018	2019
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Distribution relating to Longyan Boai Hospital under common control combination	*35(a)*	–	(17,200)	–
Prepaid exercise price of restricted shares	*29*	33,593	61,750	9,100
Payment for listing expense		–	(165)	(2,808)
Capital injections from the Company's shareholders		–	–	173
Issuance of redeemable shares	*33*	91,058	–	255,471
Borrowing interest paid	*10*	(7,484)	(4,079)	(6,001)
Repayments of bank borrowings	*33*	(66,000)	(10,000)	(560,493)
Proceeds from bank borrowings	*33*	–	–	504,493
Payments of lease liabilities	*33*	(2,336)	(2,422)	(1,424)
Repayment of financial guarantee payables	*33*	(46,227)	–	–
Repayment and advance to related parties	*33*	(148,531)	(26,740)	(154,523)
Advances and repayments from related parties	*33*	98,626	11,253	60,574
Net cash generated from/(used in) financing activities		(47,301)	12,397	104,562
Net increase/(decrease) in cash and cash equivalents		103,722	(90,124)	198,201
Effect on exchange rate difference		133	16	4,656
Cash and cash equivalents at beginning of the year		176,805	280,660	190,552
Cash and cash equivalents at end of the year	*20*	280,660	190,552	393,409

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the following businesses (together the "Listing 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 Listing Businesses is controlled by Mr. Zhu Yiwen (朱義文, "Mr. Zhu").

1.2 Reorganization

During the Track Record Period and after the Reorganization (as defined below), the Listing Businesses were mainly carried out by certain PRC incorporated companies now comprising the Group (the "Operating Subsidiaries"). During the Track Record Period, one of the Operating Subsidiaries also engaged in provision of radiotherapy business to public not-for-profit hospitals (the "Excluded Business").

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), a group reorganization was undertaken pursuant to which the companies operating the Listing Business were transferred to the Group and the Excluded Business was disposed (the "Reorganization").

Upon completion of the Reorganization, the Company became the holding company of all companies now comprising the Group. The Reorganization mainly involved the following:

(a) Incorporation of the Company

On September 12, 2018, the Company was incorporated in the Cayman Islands with 1 subscriber share allotted and issued and such share of the Company was treasury share being transferred to Group & Ray I Limited, which is owned by participants of the Pre-IPO Restricted Share Scheme (as defined in Note 29(a) below).

(b) Issuance of shares of the Company to Mr. Zhu and Ms. Zhu Jianqiao (朱劍喬) ("Ms. Zhu") and issuance of treasury shares of the Company to participants of the Pre-IPO Restricted Share Scheme of Gamma Star

On September 12, 2018, the Company allotted and issued 999,999 shares, comprising 396,436 shares, 297,326 shares, 297,326 shares, 4,455 treasury shares and 4,456 treasury shares of to Century River Holdings Limited ("Century River"), which is wholly owned by Mr. Zhu, Amber Tree Holdings Limited ("Amber Tree") and Red Palm Holdings Limited ("Red Palm"), which are wholly owned by Ms. Zhu who has entered into a concert party arrangement with Mr. Zhu, and Group & Ray I Limited and Group & Ray II Limited, which are owned by participants of the Pre-IPO Restricted Share Scheme of Gamma Star, respectively.

On October 15, 2018, the Company allotted and issued 5,971 treasury shares to Group & Ray III Limited, which is also owned by participants of the Pre-IPO Restricted Share Scheme of Gamma Star.

On July 17, 2019, the Company allotted and issued an aggregate of 23,018 treasury shares pursuant to the Share Award Scheme of the Company. For details, 1,663 shares to Jolly Lake Investment Holdings Limited, 6,157 shares to Spruce Wood Investment Holdings Limited, 8,620 shares to Star Array Investment Holdings Limited, and 6,578 shares to Olive Stone Holdings Limited.

For the anti-dilution right, the Company allotted and issued 3,224 and 812 shares, to Century River, on January 21, 2019 and May 10, 2019 respectively.

(c) Incorporation of offshore subsidiaries

On October 2, 2018, Hygeia Healthcare Group Co., Limited ("Hygeia BVI") was incorporated in the British Virgin Islands (the "BVI") with 50,000 shares allotted and issued at par to the Company. As a result, Hygeia BVI became a direct wholly owned subsidiary of the Company.

On October 19, 2018, Hygeia Healthcare (HK) Co., Limited ("Hygeia HK") was incorporated in Hong Kong with 10,000 shares allotted and issued to Hygeia BVI at par. As a result, Hygeia HK became an indirect wholly owned subsidiary of the Company.

(d) Disposals of Shanghai Gamma Star Industrial Co., Ltd. ("Gamma Star Industrial") and Qufu Chengdong Hospital Co., Ltd. ("Qufu Hospital")

On October 16, 2018, the Group disposed 100% equity interest in Gamma Star Industrial, which operated the Excluded Business during Track Record Period and transferred all other Listing Business to other subsidiaries of the Group before disposal, at a consideration of RMB20 million. The disposal gain were all remained in the Group and the accumulated gain of the Excluded Business were treated as deemed contribution to the Group.

On October 15, 2018, the Group disposed 100% equity interest in Qufu Hospital, at a consideration of RMB4.8 million.

(e) Acquisition of non-controlling interest

On January 24, 2019, Gamma Star Medical Technology Development (Shanghai) Co., Ltd ("Gamma Star"), which is the Company's subsidiary upon the reorganization, acquired the remaining 20% equity interest in Chengwu Hygeia Hospital Co., Ltd. ("Chengwu Hygeia Hospital") at a consideration of approximately RMB6 million. Since then, Gamma Star owns 100% equity interest in Chengwu Hygeia Hospital.

(f) Capital contribution in certain VIE Hospitals and equity transfer before the Contractual Arrangements

On April 8, 2019, Hygeia (Shanghai) Hospital Management Co., Ltd. ("Hygeia Hospital Management"), a wholly-owned subsidiary of Shanghai Xiangshang Investment Development Co., Ltd. ("Xiangshang Investment") which is owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively, made capital contributions of approximately RMB88.46 million to VIE Hospitals, comprising approximately RMB47.14 million to Heze Hygeia Hospital Co., Ltd., RMB5.66 million to Suzhou Canglang Hospital Co., Ltd. ("Suzhou Canglang Hospital"), RMB21.43 million to Chongqing Hygeia Cancer Hospital Co., Ltd. ("Chongqing Hygeia Hospital"), RMB7.80 million to Chengwu Hygeia Hospital and RMB6.43 million to Anqiu Hygeia Hospital Co., Ltd. ("Anqiu Hygeia Hospital") for the 30% equity interests in the respective VIE Hospitals. Since then, Shanghai Gamma Star Technology Development Co., Ltd ("Gamma Star Tech") and Hygeia Hospital Management, own 70% and 30% equity interests in these VIE Hospitals.

On April 8, 2019, Gamma Star transferred its 11.56% equity interest in Shanxian Hygeia Hospital Co., Ltd. ("Shanxian Hygeia Hospital") to Hygeia Hospital Management at a consideration of approximately RMB34.8 million. Since then, Gamma Star and Gamma Star Tech own as to 18.76% and 51.24% equity interests in Shanxian Hygeia Hospital and the remaining 30% was owned by Hygeia Hospital Management and the shareholders of the Restricted share Scheme of Shanxian Hygeia Hospital (as defined in Note 29(b) below) as to 11.56% and 18.44%, respectively.

(g) Contractual and other arrangements for the PRC foreign ownership restrictions

On the April 8, 2019 and June 20, 2019, the Group entered into a series of contractual arrangements with the VIE Hospitals, Gamma Star, Hygeia Hospital Management and Xiangshang Investment, pursuant to which 30% equity interests in the VIE Hospitals are owned by Hygeia Hospital Management on behalf of the Group (except for Shanxian Hygeia Hospital in which Hygeia Hospital Management owns 11.56% equity interest and the remaining 18.44% is owned the shareholders of the Restricted share Scheme of Shanxian Hygeia Hospital on behalf of the Group). Together with the remaining 70% ownership in the VIE Hospitals owned by Gamma Star, the Group is able to effectively owned 100% equity interest in and control the VIE Hospitals and receive substantially all the economic benefit of the business and operations of the VIE Hospitals. As a result, the VIE Hospitals became an indirect wholly owned subsidiary of the Company.

On the May 8, 2019, Xiangshang Investment acquired 30% organizer's interests in Handan Renhe Hospital, and on June 2, 2019, Kaiyuan Jiehua Hospital and Handan Zhaotian Orthopedic Hospital, there private not-for-profit hospitals, from the Group.

(h) Issuance of redeemable shares of the Company to pre-IPO investors

On May 6, 2019, the Company allotted and issued 40,838 redeemable shares and 20,419 redeemable shares to WuXi AppTec Co., Ltd and Long Hill Capital Venture Partner 1 Plus, L.P. ("Long Hill 1 Plus") at a consideration of US$20 million and US$10 million, respectively.

On May 10, 2019, the Company allotted and issued 15,423 redeemable shares to Long Hill Capital Venture Partners HGY, L.P. ("Long Hill HGY") at a consideration of US$7.8 million.

On June 3, 2019, as result of the acquisition of Gamma Star by Hygeia HK below, the Company allotted and issued 614,451 redeemable shares, comprising 297,259 shares, 133,682, 89,122, 13,368, 40,510 and 40,510 redeemable shares to Fountain Grass Investment Ltd ("Fountain Grass"), Harmony Healthcare Investment Holdings Limited ("Harmony Healthcare"), Xinrunheng Inc. ("Xinrunheng"), Long Hill Capital Venture Partners 1, L.P. ("Long Hill 1"), Huagai Xincheng Healthcare Investment Holdings Limited ("Huagai Xincheng") and Utru Star Holdings Limited ("Six Pre-IPO investors"), respectively.

(i) Capital contribution in and acquisition of Gamma Star by Hygeia HK

On June 3, 2019, Hygeia HK contributed approximately RMB200 million for acquiring 80.29% equity interest in Gamma Star. On the even date, Hygeia HK acquired the remaining 19.71% equity interest, comprising 12.07%, 0.18% and 7.45% equity interests, from Xiangshang Investment, which is owned by Mr. Zhu and Ms. Zhu, Yueteng Medical and Six Pre-IPO investors, at considerations of RMB177.49 million, issuing and allotting 297,259 redeemable shares of the Company, respectively. Since then, Gamma Star becomes a wholly owned subsidiary of Hygeia HK.

Upon completion of the Reorganization and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries as if they were in existence during the Track Record Period:

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group — As at December 31, 2017	2018	2019	As the date of report	*Notes*
		'000						
Directly held:								
Hygeia BVI Limited	BVI, October 2, 2018	USD50	Investment holding	N/A	100%	100%	100%	*(d)*
Indirectly held:								
Hygeia Hong Kong Limited	Hong Kong, October 19, 2018	HKD10	Investment holding	N/A	100%	100%	100%	*(d)*
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%	100%	100%	100%	*(a)*
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%	100%	100%	100%	*(a)*
Shanxian Hygeia Hospital* (單縣海吉亞醫院有限公司)	PRC, November 20, 2012	RMB234,187	Healthcare Services	100%	100%	100%	100%	*(a)*
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%	100%	100%	100%	*(a)*
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%	100%	100%	100%	*(a)*
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%	100%	100%	100%	*(a)*
Chengwu Hygeia Hospital* (成武海吉亞醫院有限公司)	PRC, January 12, 2017	RMB26,000	Healthcare Services	80%	80%	100%	100%	*(a)*
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%	100%	100%	100%	*(b)*
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%	100%	100%	100%	*(b)*
Anqiu Hygeia Hospital* (安丘海吉亞醫院有限公司)	PRC, December 26, 2016	RMB21,429	Healthcare Services	100%	100%	100%	100%	*(b)*

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group: As at December 31, 2017	2018	2019	As the date of report	Notes
		'000						
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%	100%	100%	100%	*(a)*
Longyan Boai Hospital Co., Ltd* (龍岩市博愛醫院有限公司) (Longyan Boai Hospital)	PRC, September 8, 2015	RMB17,150	Healthcare Services	100%	100%	100%	100%	*(a)*
Suzhou Canglang Hospital* (蘇州滄浪醫院有限公司)	PRC, November 27, 2015	RMB18,857	Healthcare Services	100%	100%	100%	100%	*(a)*
Hygeia Hospital Management* (海吉亞(上海)醫院管理有限公司)	PRC, April 08, 2019	RMB50,000	Investment holding company	N/A	N/A	100%	100%	*(c)*
Shanghai Hygeia Medical Management Co., Ltd.* (上海海吉亞醫療管理有限公司)	PRC, May 28, 2019	RMB1,000	Corporate management	N/A	N/A	100%	N/A	*(d)*
Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司)	PRC, June 20, 2019	RMB50,000	Healthcare Services	N/A	N/A	100%	100%	*(d)*
Dezhou Chongde Hospital Co., Ltd.* (德州崇德醫院有限公司)	PRC, December 18, 2019	RMB50,000	Healthcare Services	N/A	N/A	100%	100%	*(d)*
Shanghai Gamma Star Medical Information Consulting Co., Ltd. (上海伽瑪星醫療信息諮詢有限公司)	PRC, August 23, 2019	RMB10,000	Corporate management	N/A	N/A	100%	100%	*(c)*
Gamma Star Industrial* (上海伽瑪星實業有限公司)	PRC, May 14, 2015	RMB0	Radiotherapy Service	100%	100%	0%	0%	*(a)*
Qufu Hospital* (曲阜城東醫院有限公司)	PRC, October 30, 2015	RMB869	Healthcare Services	100%	100%	0%	0%	*(a)*
Ningbo Haiqiao automatic equipment Co., Ltd.* (寧波海喬自動化設備有限公司)	PRC, October 19, 2013	RMB20,000	Radiotherapy Service	N/A	N/A	N/A	N/A	*(d)*

(a) The statutory auditor of these subsidiaries is Shanghai Lingcheng Certificated Public Accountants in the PRC, during the years ended December 31, 2017, 2018 and 2019.

(b) The statutory auditors of these subsidiaries are Shanghai Lingcheng Certificated Public Accountants in the PRC, during the year ended December 31, 2018 and 2019. No audited statutory financial statements were prepared for these subsidiaries during the year ended December 31, 2017, as they remained inactive during the years.

(c) The statutory auditors of these subsidiaries are Shanghai Lingcheng Certificated Public Accountants in the PRC, during the year ended December 31, 2019. No audited statutory financial statements were prepared for these subsidiaries during the year ended December 31, 2017 and 2018, as they remained inactive during the years.

(d) No audited statutory financial statements were prepared for these subsidiaries as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective of incorporation.

* The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing business is mainly conducted through Gamma Star and its subsidiaries. Pursuant to the Reorganization, Gamma Star and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under Gamma Star and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Gamma Star and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business under the consolidated financial statements of Gamma Star for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

The Listing Business and the Excluded Business have different nature of services and businesses and they operated as standalone businesses under different management teams. The Listing Business and the Excluded Business also have separate accounting books and records such that revenue, expenditures, assets and liabilities of the Excluded Business are clearly identifiable. In the opinion of the directors' of the Company, the Excluded Business was historically been separately managed from the Listing Businesses and does not form part of the Group pursuant to the Reorganization. Accordingly, the Historical Financial Information excludes the assets, liabilities and results of operations of the Excluded Business in the following manner:

– Transactions and balances specifically identified as relating to the Excluded Business of one of the Operating Subsidiaries were excluded in the Historical Financial Information;

– Transactions with Excluded Business were included in the disclosure note for related parties transactions; and

– No other significant allocation has been made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of Historical Financial Information which are in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

As of December 31, 2019, the Group had net deficits of RMB202.6 million and accumulated loss of RMB253.4 million, which were mainly due to the redeemable shares. The redeemable shares are redeemable at the option of holders, details of which are set out in Note 27. Upon successful listing of the Company the redemption rights will be lapsed and the redeemable shares would be reclassified from the liability to the equity. In addition, the Group's current liabilities exceeded its current assets by RMB1,045.7 million as of December 31, 2019, which is primarily due to the current portion of redeemable shares of RMB1,398.4 million which was expected to become due in September 2020 as of December 31, 2019. Pursuant to the deed of wavier 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 and as a result, the redeemable shares will not have cash flow impact to the Group for at least the next twelve months from December 31, 2019. Accordingly, the Group expects to have sufficient working capital for its present requirements for at least the next twelve months from December 31, 2019. Based on the above considerations, the directors of the Company are of the opinion that the Group will continue as a going concern and have prepared the financial statements on a going concern basis.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations of IFRS, which are mandatory for the financial year beginning January 1, 2018 and 2019, including IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases", are consistently applied to the Group for the Track Record Period.

2.1.1 New standards and interpretations not yet been adopted

Standards, amendments and interpretations that have been issued but not yet effective on December 31, 2019 and have not been early adopted by the Group during the Track Record Period, are as follows:

		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
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2021
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, certain of which are relevant to the Group's operations. 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.

2.2 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.

Intercompany 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.

For business combination under common control, the merger accounting has been applied. In applying merger accounting, the Historical Financial Information 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 Historical Financial Information 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 historical financial information.

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 Historical Financial Information 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.

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
Office equipment and furniture	5 years
Right-of-use for properties	5-10 years
Right-of-use for Lands	50 years
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).

2.6.2 Medical licenses

Medical Licences 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. In considering the estimated useful lives, renewal periods are considered only if there is evidence to support renewal by the group without significant cost.

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 Track Record Period, there were no development costs meeting these criteria and capitalized as intangible assets.

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.

(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 payment 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.

(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.

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 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

– the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments

– the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 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.

2.20.1 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.

2.20.2 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 historical 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.

2.20.3 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.

2.21 Employee benefits

2.21.1 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.

2.21.2 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.

2.21.3 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.

2.21.4 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.

2.21.5 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.

2.21.6 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 are recorded in equity or liabilities depending on whether the Group has the obligation to settle it by cash or other financial assets.

2.22 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.

2.23 Revenue recognition

During the years ended December 31, 2017, 2018 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.

2.23.1 Hospital Business

Revenue from ancillary medical services is recognized when the related services have been rendered and includes out-patient and in-patient 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) Out-patient services

For out-patient services, the patient normally receives out-patient treatment which contains various treatment components. Out-patient 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) In-patient services

For in-patient services, the customers normally receive in-patient treatment which contains various treatment components. In-patient service contain more than one performance obligations, including (i) provision of consultation services and (ii) provision of in-patient 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 in-patient healthcare services, the corresponding revenue is recognized over the service period when customers simultaneously receives the services and consumes the benefits provided by the Group's performance as the Group performs.

2.23.2 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 are installed and accepted by the customers.

(d) Radiotherapy equipment disposal service

All the radiotherapy equipment need to be disposed carefully to comply with safety requirements when they were abandoned. The client provided disposal service to those 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.

2.23.3 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.

2.24 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.

2.25 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.

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.

2.26 Dividend distribution

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

2.27 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 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, 2017, 2018 and 2019, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB66,000,000, RMB56,000,000 and nil, respectively. For the years ended December 31, 2017 and 2018, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year end December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
(Decrease)/increase			
– 0.5% higher	(248)	(210)	–
– 0.5% lower	248	210	–

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 24.

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.

The Group's trade receivable 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 counter-parties to avoid any overdue receivables.

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

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

– internal credit rating

– external credit rating

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

– actual or expected significant changes in the operating results of the debtor

– significant increases in credit risk on other financial instruments of the same debtor

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

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

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

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

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

(i) Trade receivables

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

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

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	0%	0%	0%
91 to 180 days	0%	0%	0%
181 to 360 days	0%	0%	0%
1 to 2 years	0%	0%	0%
Over 2 years	NA	NA	NA

Since the actual loss rates for each type of the trade receivables and the adjustments for forward looking macroeconomic data did not have significant change during the years ended December 31, 2017, 2018 and 2019, the directors of the Company consider that the change in the expected credit loss rate is insignificant.

(ii) Other receivables and due from related parties

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

As at December 31, 2017, 2018 and 2019, the internal credit rating of other receivables and due from related parties were performing. The Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables and due from related parties and have determined the credit risk is immaterial.

3.1.3 Liquidity risk

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

The table below 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017						
Borrowings	13,746	14,111	42,225	7,619	77,701	66,000
Trade and other payables	122,296	–	–	–	122,296	122,296
Lease liabilities	2,404	1,212	4,083	3,550	11,249	9,214
Amounts due to related parties	182,723	–	–	–	182,723	182,723
Redeemable shares	–	–	1,811,853	–	1,811,853	1,573,709
Total	321,169	15,323	1,858,161	11,169	2,205,822	1,953,942

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2018						
Borrowings	14,111	14,860	34,984	–	63,955	56,000
Trade and other payables	167,083	–	–	–	167,083	167,083
Lease liabilities	74	66	–	–	140	132
Amounts due to related parties	154,523	–	–	–	154,523	154,523
Redeemable shares	–	1,434,713	377,140	–	1,811,853	1,647,674
Total	335,791	1,449,639	412,124	–	2,197,554	2,025,412
As at December 31, 2019						
Trade and other payables	204,047	–	–	–	204,047	204,047
Lease liabilities	1,414	1,350	–	–	2,764	2,604
Amounts due to related parties	16,678	–	–	–	16,678	16,678
Redeemable shares	1,441,658	–	738,924	–	2,180,582	2,030,070
Total	1,663,797	1,350	738,924	–	2,404,071	2,253,399

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to 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 borrowings, lease liabilities, loan from related parties and financial guarantee payables less cash and cash equivalents. Total capital include 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, 2017, 2018 and 2019, the gearing ratio of the Group were as follows:

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Net debt	(60,310)	(28,567)	(378,901)
Total capital	1,210,536	1,430,863	1,448,563
Gearing ratio	Not applicable	Not applicable	Not applicable

3.3 Fair value estimation

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

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

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

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

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

As at December 31, 2017, 2018 and 2019, the Group had no level 1 and level 2 financial instruments and had level 3 instruments represented the financial assets at fair value through profit or loss as at December 31, 2017.

There were no changes in valuation techniques during the years ended December 31, 2017, 2018 and 2019.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2017, 2018 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.

(a) The following table presents the changes in level 1 instruments during the Track Record Period.

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	50,694	–	–
Additions	20,000	–	–
Changes in fair value	229	–	–
Disposals	(70,923)	–	–
Balance at end of the year	–	–	–

(b) The following table presents the changes in level 3 instruments during the Track Record Period.

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	320,000	50,000	–
Additions	1,854,274	1,071,700	2,689,120
Changes in fair value	12,166	6,748	5,217
Disposals	(2,136,440)	(1,104,448)	(2,694,337)
Disposal of subsidiary	–	(24,000)	–
Balance at end of the year	50,000	–	–

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 1.95% to 4.6%. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the loss before income tax for the year ended December 31, 2017 would have been approximately RMB500,000 lower/higher, respectively;

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 Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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

(a) Estimated impairment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment, 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, 2017, 2018 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 Hospitals, three not-for-profit hospitals, was 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 have 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, 2017, 2018 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.

(c) Current and deferred income taxes

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

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

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the 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.

	Year ended December 31, 2017				
	Hospital Business	Radiotherapy Business	Hospital Management Business	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	460,303	135,105	1,072	–	596,480
Cost of revenue	(373,456)	(51,876)	(1,840)	–	(427,172)
Gross profit/(loss)	86,847	83,229	(768)	–	169,308
Selling expenses	(16,160)	(18,553)	–	–	(34,713)
Administrative expenses	(47,910)	(7,278)	–	(42,316)	(97,504)
Other income	957	–	–	2,815	3,772
Other (losses)/gains – net	(2,001)	(436)	–	9,961	7,524
Segment profit/(loss)	21,733	56,962	(768)	(29,540)	48,387
Finance income					411
Finance cost					(73,537)
Finance cost – net					(73,126)
Loss before income tax					(24,739)
As at December 31, 2017					
Assets					
Segment Assets	945,836	229,705	91,064	208,270	1,474,875
Goodwill	304,469	–	–	–	304,469
Deferred income tax assets					4,248
Total Assets					1,783,592
Liabilities					
Segment Liabilities	397,464	70,649	2,598	1,595,648	2,066,359
Deferred income tax liabilities					20,096
Total Liabilities					2,086,455
Other segment information					
Depreciation of property, plant, and equipment	26,304	11,153	–	1,511	38,968
Amortization of intangible assets	1,141	–	1,576	–	2,717
Additions of non-current assets except for goodwill and deferred income tax assets	163,319	4,303	–	88	167,710

	Year ended December 31, 2018				
	Hospital Business	Radiotherapy Business	Hospital Management Business	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	630,872	128,922	6,348	–	766,142
Cost of revenue	(474,141)	(51,221)	(2,045)	–	(527,407)
Gross profit	156,731	77,701	4,303	–	238,735
Selling expenses	(21,638)	(11,143)	–	–	(32,781)
Administrative expenses	(65,333)	(9,787)	–	(26,454)	(101,574)
Other income	759	–	–	3,391	4,150
Other (losses)/gains – net	(9,490)	(5,381)	–	11,883	(2,988)
Segment profit	61,029	51,390	4,303	(11,180)	105,542
Finance income					175
Finance cost					(78,454)
Finance cost – net					(78,279)
Profit before income tax					27,263
As at December 31, 2018					
Assets					
Segment Assets	1,223,038	161,169	102,204	186,058	1,672,469
Goodwill	300,338	–	–	–	300,338
Deferred income tax assets					9,683
Total Assets					1,982,490
Liabilities					
Segment Liabilities	428,989	52,641	–	1,662,080	2,143,710
Deferred income tax liabilities					27,024
Total Liabilities					2,170,734
Other segment information					
Depreciation of property, plant, and equipment	36,445	7,871	–	1,552	45,868
Amortization of intangible assets	1,475	–	1,576	11	3,062
Additions of non-current assets except for goodwill and deferred income tax assets	303,070	13,012	–	1,605	317,687

	Year ended December 31, 2019				
	Hospital Business	Radiotherapy Business	Hospital Management Business	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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 cost					(95,516)
Finance cost – 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

(b) Revenue by business line and nature:

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Hospital Business			
– Out-patient services	146,338	191,150	264,834
– In-patient services	313,965	439,722	679,893
Radiotherapy Business			
– Radiotherapy center consulting service	34,842	45,491	46,237
– Radiotherapy equipment licensing	48,369	49,134	49,844
– Radiotherapy equipment maintenance service	33,278	34,297	31,699
– Radiotherapy equipment sales	18,616	–	7,080
Hospital Management Business			
– Hospital management services	1,072	6,348	6,239
Total revenue	596,480	766,142	1,085,826
Including revenue from contracts with customers	548,111	717,008	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,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
– In-patient services	22,371	29,672	47,747
– Radiotherapy center consulting service	34,842	45,491	46,237
– Radiotherapy equipment maintenance service	25,141	25,612	24,286
– Hospital management services	1,072	6,348	6,239
Over time	83,426	107,123	124,509
– In-patient services	291,594	410,050	632,146
– Out-patient services	146,338	191,150	264,834
– Radiotherapy equipment maintenance service	8,137	8,685	7,413
– Radiotherapy equipment sales	18,616	–	7,080
At a point in time	464,685	609,885	911,473
Revenue from contracts with customers	548,111	717,008	1,035,982

(c) Geographical information

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

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the Track Record Period.

6 OTHER INCOME

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(a)*	3,189	3,776	4,073
Others	583	374	822
	3,772	4,150	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 25).

7 OTHER GAINS/(LOSSES)-NET

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Realised and unrealised gains on financial assets at FVPL	12,395	6,748	5,217
Gains on disposal of a subsidiary *(Note 34)*	–	7,193	–
Losses on disposal of property, plant and equipment	(208)	(5,376)	(2,937)
Surcharge for tax overdue payment	(1,283)	(3,064)	(3,231)
Net foreign exchange gains	133	16	4,656
Loss of debt write-off *(a)*	–	(5,351)	–
Fair value loss for anti-dilution rights given to Mr. Zhu *(b)*	(2,505)	(2,074)	(11,355)
Others	(1,008)	(1,080)	(1,467)
	7,524	(2,988)	(9,117)

(a) During the acquisition of Suzhou Canglang Hospital in 2015, the Group paid the tax of RMB28 million for transferring the land and properties of Suzhou Canglang Hospital to the Group and the prior shareholders of Suzhou Canglang Hospital agreed to bear and pay back such tax to the Group pursuant to the acquisition contract. As the prior shareholders refused to settle the tax payment afterwards, the Group prosecuted the prior shareholders and finally received RMB22.7 million from the prior shareholders and incurred a loss of RMB5.4 million.

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

8 EXPENSES BY NATURE

	Year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Employee benefits expenses *(Note 9)*	194,034	247,947	347,248
Cost of pharmaceutical, consumables and other inventories	175,712	224,902	267,031
Radiotherapy service fees	34,435	46,115	62,049
Consultancy and professional service fees	49,124	29,570	53,945
Marketing and promotion	7,441	5,466	4,165
Depreciation and amortization *(Notes 13 and 14)*	41,685	48,930	71,282
Utilities, cleaning and afforestation expenses	12,354	19,057	26,085
Travelling, entertainment, vehicle and office expenses	14,195	16,916	23,540
Repair and maintenance	9,079	4,232	5,753
Rental expenses	2,500	2,946	2,070
Taxation expenses	6,194	3,673	4,972
Auditor's remuneration	488	115	70
– Audit	62	67	70
– Non-audit	426	48	–
Expenses in relation to the Listing	–	2,300	20,311
Other expenses	12,148	9,593	18,876
	559,389	661,762	907,397

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	149,825	208,283	293,781
Employer's contribution to retirement benefit plan	9,127	14,402	20,789
Allowances and benefits in kind	7,998	12,633	21,893
Share-based compensation expenses *(Note 29)*	27,084	12,629	10,785
	194,034	247,947	347,248

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2017, 2018 and 2019 include 2, 2 and 1 directors whose emoluments are reflected in the analysis shown in Note 40(c). The emoluments payable to the remaining 3, 3 and 4 individuals during the years ended December 31, 2017, 2018 and 2019, respectively are as follows:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	1,561	2,319	4,344
Employer's contribution to retirement benefit plan	62	93	123
Allowances and benefits in kind	36	75	96
Share-based compensation expenses	981	7,782	5,676
	2,640	10,269	10,239

The emoluments of these individuals are within the following bands:

Number of individuals

	Year ended December 31,		
	2017	2018	2019
HKD			
Nil – 500,000	–	–	–
500,001 – 1,000,000	2	1	2
1,000,001 – 1,500,000	–	1	1
1,500,001 – 2,000,000	1	–	–
7,000,001 – 7,500,000	–	–	1
9,500,001 – 10,000,000	–	1	–
	3	3	4

10 FINANCE COSTS – NET

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income of bank savings	411	175	629
Finance costs:			
Interest expense on borrowings	(7,484)	(4,079)	(6,001)
Interest expense on leasing liabilities	(593)	(410)	(191)
Interest expense of redeemable shares	(65,460)	(73,965)	(89,324)
	(73,537)	(78,454)	(95,516)
Finance costs – net:	(73,126)	(78,279)	(94,887)

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– PRC corporate income tax	19,767	23,352	42,298
Deferred income tax *(Note 15)*	2,004	1,493	(2,745)
	21,771	24,845	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 are not subject to tax on income or capital gains.

Hong Kong

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

PRC corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the years ended December 31, 2017, 2018 and 2019.

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

The Company's subsidiary, Gamma Star Tech, was approved as high and new technology enterprises under the relevant tax rules and regulations of the PRC, and accordingly, is subjected to a reduced preferential CIT rate of 15% for the years ended December 31, 2017, 2018 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 December 31, 2017, 2018 and 2019, the Group has deficits in retaining earnings, so no withholding tax is provided.

(b) Numerical reconciliation of income tax expense

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(24,739)	27,263	79,320
Tax calculated at applicable statutory tax rate of 25%	(6,185)	6,816	19,830
Effect of different tax rates	(7,256)	(7,514)	5,561
Tax effect of unrecognized tax losses *(i)*	5,236	4,112	–
Income not subject to tax	–	(1,798)	–
Items not deductible for tax purposes *(ii)*	30,354	23,818	15,377
Tax preference	(378)	(589)	(1,215)
	21,771	24,845	39,553

(i) Unrecognized tax losses

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Unused tax losses for which no deferred tax asset has been recognized	30,411	–	–
Potential tax benefit	7,603	–	–

The unused tax losses for which no deferred tax asset has been recognized as at December 31, 2017 were from Gamma Star Industrial and Qufu Hospital which were subsequentely disposed in October 2018.

Tax losses carried forward expire in the following years:

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
2021	9,823	–	–
2022	20,588	–	–
2023	–	–	–
2024	–	–	–
	30,411	–	–

(ii) Items not deductible for tax purposes mainly represented interest expense on redeemable shares recorded in Gamma Star, share-based compensation expenses recorded in Gamma Star and expenses without sufficient supporting invoices.

12 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2017, 2018 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 June 3, 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 (losses)/earnings per share.

	Year ended December 31,		
	2017	2018	2019
(Loss)/profit attributable to owners of the Company (RMB'000)	(46,434)	2,588	39,767
Weighted average number of shares in issue	9,910,880	9,910,880	9,945,847
Basic (losses)/earnings per share (in RMB)*	(4.69)	0.26	4.00

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2017, 2018 and 2019, the Company had four rounds of redeemable shares (Note 27) and share options granted to employees (Note 29(a)(b)(d)). As the Group incurred losses for the year ended December 31, 2017, the potential ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. As the inclusion of interest expense on redeemable shares would increase the profit for the year ended December 31, 2018 and 2019, those redeemable shares were not included in the calculation of the the diluted losses per share as their inclusion would be anti-dilutive.

	Year ended December 31,		
	2017	**2018**	**2019**
(Loss)/profit attributable to owners of the Company (RMB'000)	(46,434)	2,588	39,767
Adjustments for the dilution effect of a subsidiary's restricted share scheme (RMB'000)	–	(685)	(1,059)
Diluted (loss)/profit attributable to owners of the Company (RMB'000)	(46,434)	1,903	38,708
Weighted average number of shares in issue	9,910,880	9,910,880	9,945,847
Adjustments for restricted share scheme	–	91,140	131,560
Weighted average number of shares for calculating diluted (losses)/earnings per share	9,910,880	10,002,020	10,077,407
Diluted (losses)/earnings per share (in RMB)*	(4.69)	0.19	3.84

* The (losses)/earnings per share presented above have not been taken into account the proposed capitalization issue pursuant to the resolutions in writing of all shareholders passed on June 8, 2020 because the proposed capitalization issue has not become effective as at the date of this report

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings *(a)*	Right-of-use for properties	Right-of-use for lands	Medical equipment	Transportation Equipment	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017									
Cost	312,813	11,366	197,584	241,590	2,244	11,208	893	18,980	796,678
Accumulated depreciation	(16,859)	(739)	(7,312)	(70,798)	(1,255)	(6,007)	(18)	–	(102,988)
Net book amount	295,954	10,627	190,272	170,792	989	5,201	875	18,980	693,690
Year ended December 31, 2017									
Opening net book amount	295,954	10,627	190,272	170,792	989	5,201	875	18,980	693,690
Acquisition of subsidiaries	6,816	–	–	2,014	–	1,170	–	–	10,000
Additions	–	–	9,879	24,181	608	2,650	690	97,051	135,059
Transfers upon completion	10,019	–	–	123	–	439	(778)	(9,803)	–
Transfer to inventory for sale	–	–	–	(7,438)	–	–	–	–	(7,438)
Disposals	(18)	–	–	(203)	(9)	(174)	–	–	(404)
Depreciation	(6,250)	(2,177)	(4,122)	(24,492)	(263)	(1,627)	(37)	–	(38,968)
Closing net book amount	306,521	8,450	196,029	164,977	1,325	7,659	750	106,228	791,939
At December 31, 2017									
Cost	329,628	11,366	207,464	255,576	2,562	15,245	804	106,228	928,873
Accumulated depreciation	(23,107)	(2,916)	(11,435)	(90,599)	(1,237)	(7,586)	(54)	–	(136,934)
Net book amount	306,521	8,450	196,029	164,977	1,325	7,659	750	106,228	791,939

	Buildings *(a)*	Right-of-use for properties	Right-of-use for lands	Medical equipment	Transportation Equipment	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018									
Opening net book amount	306,521	8,450	196,029	164,977	1,325	7,659	750	106,228	791,939
Additions	–	149	–	132,479	1,604	10,995	4,648	192,343	342,218
Transfers upon completion	256,367	–	–	36,935	605	4,155	–	(298,062)	–
Transfer to inventory for sale	–	–	–	(166)	–	–	–	–	(166)
Disposal of subsidiaries	(5,192)	(4,520)	–	(3,596)	(1)	(411)	–	–	(13,720)
Disposals	–	–	–	(6,039)	(89)	(138)	–	–	(6,266)
Early termination of lease contracts	–	(1,934)	–	–	–	–	–	–	(1,934)
Depreciation	(8,689)	(2,015)	(4,478)	(26,743)	(454)	(2,909)	(579)	–	(45,867)
Closing net book amount	549,007	130	191,551	297,847	2,990	19,351	4,819	509	1,066,204
At December 31, 2018									
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

	Buildings *(a)*	Right-of-use for properties	Right-of-use for lands	Medical equipment	Transportation Equipment	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)	–
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

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

	Years ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	27,054	32,565	47,291
Administrative expenses	11,914	13,302	19,847
	38,968	45,867	67,138

(a) Pledged of assets

The Buildings were located in the PRC. Buildings with net book amount of RMB68,656,000 and RMB67,187,000 as at December 31, 2017 and 2018 were pledged as collateral for the Group's bank borrowings (Note 24).

14 INTANGIBLE ASSETS

	Goodwill	Software	Contractual rights to provide management services	Medical licenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017:					
Cost	299,939	1,520	68,028	28,500	397,987
Accumulated amortization	–	(180)	(6,342)	(1,186)	(7,708)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	299,939	1,340	56,686	27,314	385,279
Year ended December 31, 2017:					
Opening net book amount	299,939	1,340	56,686	27,314	385,279
Acquisition of subsidiaries	4,530	–	–	–	4,530
Additions	–	602	–	–	602
Amortization	–	(191)	(1,576)	(950)	(2,717)
Net book amount	304,469	1,751	55,110	26,364	387,694
At December 31, 2017:					
Cost	304,469	2,122	68,028	28,500	403,119
Accumulated amortization	–	(371)	(7,918)	(2,136)	(10,425)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	304,469	1,751	55,110	26,364	387,694
Year ended December 31, 2018:					
Opening net book amount	304,469	1,751	55,110	26,364	387,694
Additions	–	2,970	–	–	2,970
Disposal of subsidiaries *(Note 34)*	(4,131)	(63)	–	–	(4,194)
Amortization	–	(536)	(1,577)	(950)	(3,063)
Net book amount	300,338	4,122	53,533	25,414	383,407
At December 31, 2018:					
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

	Goodwill	Software	Contractual rights to provide management services	Medical licenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

(a) Impairment test for goodwill

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

	Longyan Boai Hospital	Suzhou Canglang Hospital	Anqiu Hygeia Hospital	Chengwu Hygeia Hospital	Qufu Hospital	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017	186,019	104,607	5,182	4,530	4,131	304,469
As at December 31, 2018	186,019	104,607	5,182	4,530	–	300,338
As at December 31, 2019	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, 2017, 2018 and 2019 are as follows:

Longyan Boai Hospital

	Years ended December 31,		
	2017	**2018**	**2019**
Revenue (% compound growth rate)	19%	15%	15%
Costs and operating expenses (% of revenue)	84%	82%	79%
Long-term growth rate	3%	3%	3%
Pre-tax discount rate*(i)*	19.20%	19.75%	19.79%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	195,785	230,934	275,533

Suzhou Canglang Hospital

	Years ended December 31,		
	2017	**2018**	**2019**
Revenue (% compound growth rate)	25%	19%	12%
Costs and operating expenses (% of revenue)	85%	83%	82%
Long-term growth rate	3%	3%	3%
Pre-tax discount rate*(i)*	19.67%	19.69%	19.59%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	132,241	175,718	206,306

(i) During the Track Record Period, 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 during the Track Record 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 during the Track Record Period.

Revenue compound growth rate is for the five-year forecast period. It is based on past performance and 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 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.

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Longyan Boai Hospital and Suzhou Canglang Hospital at the dates indicated.

Longyan Boai Hospital

Possible changes of key assumptions	**Recoverable amount of the CGU exceeding its carrying amount by**		
	Years ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue (% compound growth rate) decrease by 3%	161,006	191,425	212,386
Costs and operating expenses (% of revenue) increase by 3%	159,206	190,091	231,503
Pre-tax discount rate increase by 1%	177,451	211,746	254,817

Suzhou Canglang Hospital

Possible changes of key assumptions	Recoverable amount of the CGU exceeding its carrying amount by		
	Years ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue (% compound growth rate) decrease by 3%	100,385	135,644	148,050
Costs and operating expenses (% of revenue) increase by 3%	86,972	124,666	150,762
Pre-tax discount rate increase by 1%	115,623	156,630	188,518

Reasonably possible changes in key assumptions would not lead to impairment for the years ended December 31, 2017, 2018 and 2019.

(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, 2017, 2018 and 2019 are as below:

	Kaiyuan Jiehua Hospital	Handan Renhe Hospital	Handan Zhaotian Orthopedic Hospital	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017	13,527	23,383	18,200	55,110
As at December 31, 2018	13,136	22,684	17,713	53,533
As at December 31, 2019	12,746	21,985	17,226	51,957

In July 2011, November 2012 and April 2015, the Group entered into hospital management agreement with Handan Renhe Hospital, Kaiyuan Jiehua Hospital and Handan Zhaotian Orthopedic Hospital, respectively. Pursuant to these agreements, the Group provide 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, management consider there was indicator for impairment and performed impairment testing as of December 31, 2017, 2018 and 2019.

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

The key assumptions used in the value-in-use calculations as at December 31, 2017, 2018 and 2019 are as follows:

Handan Zhaotian Orthopedic Hospital

	Years ended December 31,		
	2017	**2018**	**2019**
Management service fee (% compound growth rate)	NA*	43%	NA*
Long-term growth rate	3%	3%	3%
Pre-tax discount rate (i)	15.42%	15.53%	15.63%
Recoverable amount of the management service fee exceeding its carrying amount (RMB'000)	352	2,894	2,368

* The formula is not applicable because the fraction has a denominator of zero. The management service fee of base year (2017) is nil as it was waived by the Group. The management service fee of base year (2019) is nil as Handan Zhaotian Orthopedic Hospital was not in operation in 2019.

(i) During the Track Record Period, the performance of Handan Zhaotian Orthopedic Hospital was generally in line with management's expectations. In addition, the industry in which the hospital operated and the market and regulatory environment were also largely stable during the Track Record 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 during the Track Record Period.

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 end of 2020. 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, management team is experienced in hospital management and believe they have the capacity to prepare an 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 testing 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.

The discount rates are pre-tax and reflect specific risks relating to the relevant hospitals. By reference to relevant accounting standards, the future cash flows used in value-in-use calculations 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 certain contractual rights to provide management services.

No impairment was charged during the years ended December 31, 2017, 2018 and 2019, respectively.

(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,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	2,526	2,527	2,527
Administrative expenses	191	536	1,617
	2,717	3,063	4,144

15 DEFERRED INCOME TAX

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets			
– to be realised within 12 months	403	2,659	1,962
– to be realised after more than 12 months	4,211	12,866	24,686
	4,614	15,525	26,648
Deferred tax liabilities			
– to be realised within 12 months	427	1,758	678
– to be realised after more than 12 months	20,035	31,108	40,566
	20,462	32,866	41,244

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:			
Tax losses	2,204	13,153	24,016
Employee benefits	–	32	61
Provisions	1,243	1,176	1,148
Unrealised profit	–	28	762
Impairment of intangible assets	1,167	1,136	661
Total deferred tax assets	4,614	15,525	26,648
Set-off of deferred tax liabilities pursuant to set-off provisions	(366)	(5,842)	(8,576)
Net deferred tax assets	4,248	9,683	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, 2017	4,699	–	1,432	–	1,198	7,329
Charged to profit or loss	(2,495)	–	(189)	–	(31)	(2,715)
As at December 31, 2017	2,204	–	1,243	–	1,167	4,614
As at January 1, 2018	2,204	–	1,243	–	1,167	4,614
Credit/(charged) to profit or loss	10,949	32	(67)	28	(31)	10,911
As at December 31, 2018	13,153	32	1,176	28	1,136	15,525
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

(ii) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:			
Intangible assets	6,591	6,353	6,116
Property, plant and equipment	13,871	26,513	35,128
Total deferred tax liabilities	20,462	32,866	41,244
Set-off of deferred tax assets pursuant to set-off provisions	(366)	(5,842)	(8,576)
Net deferred tax liabilities	20,096	27,024	32,668

Movements	Property, plant and equipment	Intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2017	14,345	6,828	21,173
– Credit to profit or loss	(473)	(238)	(711)
At December 31, 2017	13,872	6,590	20,462
At January 1, 2018	13,871	6,591	20,462
– Charged/(credit) to profit or loss	12,642	(238)	12,404
At December 31, 2018	26,513	6,353	32,866
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

16 INVENTORIES

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	13,632	17,287	20,212
Medical consumables	13,607	21,101	23,245
Spare parts	8,091	2,629	3,559
	35,330	41,017	47,016

For the years ended December 31, 2017, 2018 and 2019, the cost of inventories recognized as expense and included in "cost of revenue" amounted to RMB175,712,000, RMB224,902,000 and RMB272,166,000, respectively.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	50,000	–	–
	50,000	–	–

The wealth management products of banks and investment in funds are denominated in RMB, with expected rates of returns ranging from 1.95%-4.60%, 2.05%-4.20% and 2.10%-4.20% per annum for the years ended December 31, 2017, 2018 and 2019, respectively. The returns on all these wealth management products are not guaranteed, as a result their contractual cash flows do not qualify solely as payments of principal and interest. Therefore, they were measured at fair value through profit or loss.

The fair value are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy (Note 3.3). The higher the expected rates of return, the higher the fair value.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortized cost:			
Cash and cash equivalents *(Note 20)*	280,660	190,552	393,409
Amounts due from related parties *(Note 36)*	43,951	56,467	3,169
Trade and other receivables excluding non-financial assets *(Note 19)*	145,379	212,299	211,337
	469,990	459,318	607,915
Financial assets at fair value through profit or loss	50,000	–	–
	519,990	459,318	607,915
Financial liabilities			
Liabilities at amortized cost:			
Trade and other payables excluding non-financial liabilities	122,296	167,083	204,047
Amounts due to related parties *(Note 36)*	182,723	154,523	16,678
Borrowings *(Note 24)*	66,000	56,000	–
Lease liabilities *(Note 26)*	9,214	132	2,604
Redeemable shares *(Note 27)*	1,573,709	1,647,674	2,030,070
	1,953,942	2,025,412	2,253,399

19 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Trade receivables	110,989	149,268	201,078
Other receivables			
– Deposits receivables	7,792	7,825	6,150
– Due from prior shareholders of Suzhou Canglang Hospital	20,347	–	–
– Due from prior subsidiaries – Gamma Star Industrial & Qufu Hospital	–	26,015	–
– Receivable of consideration for disposal of interests in subsidiaries – Gamma Star Industrial & Qufu Hospital *(Note 34)*	–	24,800	–
– Others	6,251	4,391	4,109
	34,390	63,031	10,259
Prepayments to suppliers	4,780	12,073	6,641
Prepayments for other taxes	2,018	421	609
Prepayment for listing related expenses	–	275	6,349
	6,798	12,769	13,599
	152,177	225,068	224,936
Included in non-current assets			
Prepayments for property, plant and equipment	37,593	10,092	18,420
	189,770	235,160	243,356

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

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	83,825	90,798	123,251
91 to 180 days	7,947	16,294	42,788
181 to 365 days	19,089	39,928	33,371
1 to 2 years	128	2,248	1,668
	110,989	149,268	201,078

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

The Group's trade receivables were denominated in RMB.

The Company

	As at December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Prepayment for listing related expenses	275	6,349
	275	6,349

20 CASH AND CASH EQUIVALENTS

The Group

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	280,660	190,552	393,409
	280,660	190,552	393,409

Cash and deposits were denominated in the following currencies:

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
RMB	280,478	190,361	373,046
USD	182	191	19,376
HKD	–	–	987
	280,660	190,552	393,409

The Company

	As at December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Cash at bank and in hand	–	20,211
	–	20,211

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2018	2019
	RMB'000	*RMB'000*
RMB	–	44
USD	–	19,180
HKD	–	987
	–	20,211

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of shares	Equivalent nominal value of shares	Share premium
		USD	*RMB'000*	*RMB'000*
Authorised:				
Ordinary shares of USD0.0001 each September 12, 2018 (date of incorporation) and December 31, 2018	500,000,000	50,000	–	–
Share subdivision on September 18, 2019 *(c)*	4,500,000,000	–	–	–
As of December 31, 2019	5,000,000,000	50,000	–	–
Issued and fully paid:				
Issuance of ordinary shares *(Note 1.2(a)(b))* and at December 31, 2018 and January 1, 2019	1,005,971	100.6	–	–
Issuance of ordinary shares with redemption right and completion of the Reorganization of the Group *(Note 1.2(h)) (a)*	614,451	61.4	–	2,762,050
Issuance of ordinary shares with redemption right *(Note 1.2(h)) (a)*	76,680	7.7	–	–
Issuance of ordinary share for the anti-dilution rights to Mr. Zhu *(Note1.2(b))*	4,036	0.4	–	11,355
Share allotted for share incentive scheme *(b)*	23,018	–	–	–
Share subdivision on September 18, 2019 *(c)*	15,517,404	–	–	–
Dividends *(Note 32)*	–	–	–	(41,941)
At December 31, 2019*	17,241,560	170.1	–	2,731,464

* 379,010 shares are held by restricted share scheme (Note 29(a)(d)).

(a) All the issued ordinary shares with redemption right recognized as redeemable shares during the Track Record Period (Note 27).

(b) On July 17, 2019, the Company allotted and issued an aggregate of 23,018 Shares, representing approximately 1.34% of total issued share capital, pursuant to Share Award Scheme (as defined in Note 29(d) below).

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

22 OTHER RESERVES

The Group

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	(20,362)	(39,856)	84,494
Grant a higher redemption right to the redeemable shares of a subsidiary	(62,678)	–	–
Issuance of redeemable shares	(26,828)	–	(37,601)
Transfer to statutory reserve	6,830	12,149	16,775
Deemed contribution from Excluded Business *(a)*	–	52,948	–
Additional shares issued to Mr. Zhu due to 5% anti-dilution rights *(Note 7(b))*	2,505	2,074	–
Share-based compensation expense *(Note 29)*	27,084	12,629	10,785
Capital injections from shareholders of a subsidiary	–	–	173
Prepaid exercise price of restricted share scheme *(Note 29)*	33,593	61,750	9,100
Acquired additional shares of a subsidiary	–	–	(2,378)
Effect of Reorganization of the Group	–	–	(2,762,050)
Distribution relating to Longyan Boai Hospital under common control combination *(Note 35(a))*	–	(17,200)	–
At the end of the year	(39,856)	84,494	(2,680,702)

(a) On October 16, 2018, 100% equity interest in Gamma Star Industrial was disposed to a third party, the disposal proceeds of the Excluded Business of RMB52,948,000 were remained in the Group and treated as the deemed contribution.

The Company

	Year ended December 31,	Ten months ended October 31,
	2018	2019
	RMB'000	*RMB'000*
At the beginning of the year	–	–
Issuance of redeemable shares	–	(37,601)
Share-based compensation expense for a subsidiary *(a)*	–	25,436
At the end of the year	–	(12,165)

(a) On July 17, 2019, the Company signed the grant letters to fulfil the purpose of the Onshore Share Awards for Gamma Star (Note 29(d)). The related accumulated share-based expense need to be recognized in the Company as investment in a subsidiary and credit to other reserve.

23 ACCUMULATED LOSSES

The Group

	Year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	(213,535)	(266,799)	(276,360)
(Loss)/profit for the year	(46,434)	2,588	39,767
Transfer to statutory reserves	(6,830)	(12,149)	16,775
At the end of the year	(266,799)	(276,360)	(253,368)

The Company

	Year ended December 31,	Ten months ended October 31,
	2018	2019
	RMB'000	*RMB'000*
At the beginning of the year	–	(2,300)
Loss for the year	(2,300)	(76,748)
At the end of the year	(2,300)	(79,748)

24 BORROWINGS

The Group

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	66,000	56,000	–
	66,000	56,000	–
Included in non-current liabilities:			
– Long term bank borrowing-secured	66,000	56,000	–
Less: current portion	(10,000)	(11,000)	–
	56,000	45,000	–
Included in current liabilities:			
– Current portion of long term bank borrowing	10,000	11,000	–
	10,000	11,000	–
Total	66,000	56,000	–

(a) As at December 31, 2017 and 2018, the Group's long term bank borrowing was secured by the Group's buildings (Note 13(a)).

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

	As at December 31,		
	2017	**2018**	**2019**
Bank borrowings	6%	6%	–

(b) The following tables sets forth the ranges of the effective interest rate per annum of our bank borrowings as at the dates indicated:

	As at December 31,		
	2017	**2018**	**2019**
	%	%	
Floating-rate bank borrowings *(i)*	benchmark interest rate for loan +25 points	benchmark interest rate for loan +25 points	–

(i) The benchmark interest rate was borrowing interest rate announced by the People's Bank of China.

(c) The carrying amounts of the borrowings approximated their fair values as at December 31, 2017 and 2018, as the impact of discounting of borrowings with fixed interest rates was not significant or the borrowings carried floating interest rate.

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

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	10,000	11,000	–
Between 1 and 2 years	11,000	12,500	–
Between 2 and 5 years	37,500	32,500	–
Over 5 years	7,500	–	–
	66,000	56,000	–

(e) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities during the Track Record Period.

25 DEFERRED REVENUE

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Government grant	28,061	27,685	28,314
To be realised within 12 months	376	571	1,771
To be realised after more than 12 months	27,685	27,114	26,543
Total	28,061	27,685	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.

26 LEASE LIABILITIES

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Minimum lease payments due			
– Within 1 year	2,404	74	1,414
– Between 1 and 2 years	1,212	66	1,350
– Between 2 and 5 years	4,083	–	–
– Over 5 years	3,550	–	–
	11,249	140	2,764
Less: future finance charges	(2,035)	(8)	(160)
Present value of lease liabilities	9,214	132	2,604
Within 1 year	1,918	69	1,297
Between 1 and 2 years	808	63	1,307
Between 2 and 5 years	3,201	–	–
Over 5 years	3,287	–	–
	9,214	132	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 years ended December 31, 2017, 2018 and 2019 were RMB2,336,000, RMB2,422,000 and RMB1,424,000, respectively.

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 years ended December 31, 2017, 2018 and 2019 would increase total lease payments by approximately RMB115,000, RMB128,000 and RMB82,000, respectively.

27 REDEEMABLE SHARES

The Group

	Redeemable shares
	RMB'000
Year ended December 31, 2017:	
Opening amount *(a) (b)*	1,327,685
Grant a higher redemption right to the redeemable shares of a subsidiary *(Note 22)*	62,678
Issuance of redeemable shares *(c)*	117,886
Interest expense on redeemable shares *(Note 10)*	65,460
At December 31, 2017:	1,573,709
Year ended December 31, 2018:	
Opening amount	1,573,709
Interest expense on redeemable shares *(Note 10)*	73,965
At December 31, 2018:	1,647,674
Year ended December 31, 2019:	
Opening amount	1,647,674
Issuance of redeemable shares *(d)*	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

The Company

	Redeemable shares
	RMB'000
Year ended December 31, 2018:	
Opening amount and at December 31, 2018:	–
Year ended December 31, 2019:	
Opening amount	–
Issuance of redeemable shares *(d)*	293,072
Effect of Reorganization of the Group	1,686,394
Interest expense on redeemable shares	50,604
At December 31, 2019:	2,030,070
Included in current liabilities:	1,398,396

(a) In October 2015, Fountain Grass agreed to inject RMB236 million to the Gamma Star, of which was obtained by the Group in 2016. NEA FDI, Ltd ("NEA FDI") purchased the Gamma Star's shares from its prior shareholders at the consideration of USD15.8 million (equivalent to RMB100,483,000). At the same time, Fountain Grass and NEA FDI ("Round One investors") have signed the cooperation agreement with Gamma Star and its controlling shareholder and agreed that, if the Gamma Star cannot complete its initial public offering ("IPO") successfully in 5 years since its first investment, which is before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020), Round One investors would have the right to ask the Gamma Star and its controlling shareholder to repurchase their shares at the consideration they have paid to get the shares plus 12% annual interest rate deducting the dividends or other income obtained.

(b) In June 2016, Fountain Grass further agreed to inject RMB73 million to Gamma Star and additional purchased its shares at the consideration of USD2,302,152 (equivalent to RMB14,630,000) and USD12,000,000 (equivalent to RMB76,260,000) from NEA FDI and prior shareholders. At the same time, Round One investors have signed the cooperation agreement with Gamma Star and its controlling shareholder and agreed that, if Gamma Star cannot complete its IPO in 5 years since its first investment, which is before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020), Round One Investors would have the right to ask Gamma Star and its controlling shareholders to repurchase their shares at the consideration they have paid to get the shares plus 12% annual interest rate deducting the dividends or other income obtained.

In September 2016, the Guokai Boyu II (Shanghai) Equity Investment Partnership (Limited Partnership) ("Guokai Boyu") and Beijing Xinrunheng Equity Investment Partnership (Limited Partnership) ("Beijing Xinrunheng") (together "Round Two investors") have injected RMB300 million and RMB200 million, respectively, to the Gamma Star. In the meantime, Round One investors and Round Two investors have signed the cooperation agreement with Gamma Star and its controlling shareholder and agreed that, (i) if Gamma Star cannot complete its IPO successfully before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020), Round One investors would have the right to ask Gamma Star and its controlling shareholders to repurchase their shares and (ii) At the earlier date of Round One investors exercising their redemption rights or the Round Two investors' 5th anniversary, Round Two investors would have the right to ask Gamma Star and its controlling shareholders to repurchase their shares.The redeemable price for the Round One investors and Round Two investors would equal to the consideration they have paid to get the shares plus 10% annual interest rate deducting the dividends or other income obtained.

(c) In July 2017, Huagai Xincheng Healthcare Investment Chengdu Partnership (Limited Partnership) ("Huagai Chengdu"), Zhuhai Utru Star X Investment Partnership (Limited Partnership) ("Zhuhai Utru Star") and Long Hill 1 ("Round Three investors") have purchased all NEA FDI's shares in Gamma Star at the consideration of RMB54,470,998, RMB54,470,998 and RMB30 million, respectively. In addition, Huagai Chengdu and Zhuhai Utru Star have further injected RMB45,529,003, respectively. In the meantime, the Round One investors, Round Two investors and Round Three investors have signed the cooperation agreement with Gamma Star and its controlling shareholder and agreed that, (i) if Gamma Star cannot complete its IPO successfully before September 1, 2020 (such due date was subsequently extended to June 30, 2021 by the parties pursuant to a deed of waiver dated February 13, 2020), Round One Investors would have the right to ask Gamma Star and its controlling shareholders to repurchase their shares (ii) At the earlier date of Round One investors exercising their redemption rights or the Round Two investors' 5th anniversary, Round Two investors would have the right to ask Gamma Star and its controlling shareholders to repurchase their shares and (iii) if Gammastar Medical cannot complete its IPO before the Round Three investors' 5th anniversary, Round Three investors would have the right to ask Gamma Star and its controlling shareholders to repurchase their shares. The redeemable price for the Round One investors, Round Two investors and Round Three investors would equal to the consideration they have paid to get the shares plus 10% annual interest rate deducting the dividends or other income obtained.

The equity investment of Round One Investors, the Round Two Investors and the Round Three investors are recognized as a liability at the present value of the redemption price because of the existence of right of repurchase.

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

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

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

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

28 OTHER NON-CURRENT LIABILITIES

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Provision for rotary cobalt-60 therapy unit	8,289	7,842	7,651
	8,289	7,842	7,651

29 SHARE-BASED PAYMENT

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

Before the Reorganization as described in Note 1.2, Gamma Star, the prior domestic holding companies of the Listing Business, 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) (上海悅衡醫療信息技術服務中心(有限合夥)), Shanghai Yuehuan Medical Information Technology Service (Limited Partnership) (上海悅恒醫療信息技術服務中心(有限合夥)), Shanghai Yueteng Medical Information Technology Service (Limited

Partnership) (上海悦騰醫療信息技術服務中心(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. RMB24.3 million and RMB9.1 million of the considerations have been received in 2018 and 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 excercise price is recorded in "other reserve".

The fair value of 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 RMB52,000 and RMB19,000 share-based compensation expense in the consolidated statements of comprehensive income for the year ended December 31, 2018 and 2019, respectively, for the aforesaid Pre-IPO Restricted Share Scheme of Gamma Star.

(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信息技術服務中心(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 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".

If the Group has not complete its IPO after 5 year's vesting period, the Group promise to repurchase the shares held through the Restricted Share Scheme of Shanxian Hygeia Hospital by issuing the shares of the Company or by cash upon employees' choice.

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 RMB77,000 and RMB95,000 share-based compensation expense in the consolidated statements of comprehensive income for the year ended December 31, 2018 and 2019, respectively, for the aforesaid Pre-IPO Restricted Share Scheme Arrangement of Shanxian Hygeia Hospital.

(c) Shared-based payment for granting higher redemption right

In July 2017, the Round Three investors have purchased all NEA FDI's shares in Gammastar Medical at a higher price than then assessed fair value of shares held by NEA FDI due to the fact that the Gamma Star agreed to increase the redemption price of those shares from NEA FDI's subscription price to Round Three investor's subscription price. The difference between the considerations obtained by the NEA FDI and the then fair value of the shares sold, amounting to approximately RMB24,817,000 was recognized as an expense of the Group immediately.

(d) 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 expected 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 RMB2,267,000, RMB12,500,000 and RMB10,671,000 share-based compensation expense in the consolidated statements of comprehensive income for the years ended December 31, 2017, 2018 and 2019, respectively, for the aforesaid Share Award Scheme of the Company.

30 TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(a)*	85,332	102,580	118,789
Salaries payable	25,185	36,925	48,329
Payables of considerations for acquisition of subsidiaries	4,820	3,140	1,720
Deposits payable	1,393	2,445	636
Other taxes payable	16,160	9,225	10,098
Payable of surcharge for tax overdue payment	1,283	4,347	7,578
Payables for construction projects	13,897	40,820	19,613
Prepayments received for radiotherapy equipment licensing	6,467	8,329	8,681
Dividend payable	–	–	41,941
Payables for intangible assets acquisition	–	–	1,030
Others	9,104	5,422	4,059
	163,641	213,233	262,474

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

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	64,784	82,838	91,022
91 to 180 days	9,878	8,582	14,164
181 to 365 days	7,027	2,743	5,158
Over 1 year	3,643	8,417	8,445
	85,332	102,580	118,789

The Company

	As at December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Dividend payable	–	41,941
Accrued Listing Expense	–	5,830
	–	47,771

31 CONTRACT LIABILITIES

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

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Hospital Business			
– Out-patient services	420	498	1,887
– In-patient services	9,575	10,732	7,189
Radiotherapy Business			
– Radiotherapy equipment maintenance service	2,760	962	150
– Radiotherapy equipment sales	–	800	656
	12,755	12,992	9,882

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided. For the year ended December 31, 2018, such liabilities increased as a result of the growth of the Group's Hospital Business and Radiotherapy Business. The contract liabilities decreased for the year ended December 31, 2019 was mainly due to the Group has took measures in 2019 to improve the operational efficiency of certain self-owned hospitals by increasing bed turnover rates, which resulted in accelerated settlement with inpatients.

(b) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the Track Record Period relates to carried-forward contract liabilities.

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year			
Hospital Business			
– Out-patient services	401	420	498
– In-patient services	6,542	9,575	10,732
Radiotherapy Business			
– Radiotherapy equipment maintenance service	–	2,560	812
– Radiotherapy equipment sales	600	–	709
	7,543	12,555	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.

32 DIVIDENDS

Dividend of RMB70,000,000 has been declared by the company on September 16, 2019. Save as that, no other dividends have been declared since its incorporation and up to December 31, 2019. The amount declared to shareholders of redeemable shares is RMB28,059,000, which will be taken as repayment of redeemable shares.

Except for intra-group dividends, no dividend has been paid or declared by the companies now comprising the Group during each of the years ended December 31, 2017, 2018 and 2019.

33 NET CASH GENERATED FROM OPERATION

Reconciliation from (loss)/profit before income tax to cash generated from operations:

	Year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(24,739)	27,263	79,320
Adjustment for:			
Interest income *(Note 10)*	(411)	(175)	(629)
Interest expenses *(Note 10)*	73,537	78,454	95,516
Depreciation of property, plant and equipment *(Note 13)*	38,968	45,867	67,138
Amortization of intangible assets *(Note 14)*	2,717	3,063	4,144
Net loss on disposals of property, plant and equipment *(Note 7)*	208	5,376	2,937
Realised and unrealised gains on financial assets at FVPL *(Note 7)*	(12,395)	(6,748)	(5,217)
Loss of debt write-off *(Note 7)*	–	5,351	–
Share-based compensation expense *(Note 9)*	27,084	12,629	10,785
Fair value loss for anti-dilution rights given to Mr. Zhou *(Note 7)*	2,505	2,074	11,355
Gains on disposal of subsidiaries *(Note 7)*	–	(7,193)	–
Operating cash flows before changes in working capital	107,474	165,961	265,349
Changes in working capital:			
Increase in inventories	(902)	(5,521)	(5,999)
Increase in trade and other receivables, prepayments	(36,020)	(53,093)	(17,195)
Increase in trade and other payables, and contract liabilities	10,115	74,109	26,306
Cash generated from operations	80,667	181,456	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,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Net book amount	404	6,266	5,020
Net loss on disposal of property, plant and equipment	(208)	(5,376)	(2,937)
Proceeds from disposal of property, plant and equipment and intangible assets	196	890	2,083

For the years ended December 31, 2017, 2018 and 2019, save as disclosed in this report, the Group did not have any material non-cash investing and financing activities.

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	**Lease liability**	**Redeemable Shares**	**Net loan balance due to related parties**	**Financial Guarantee payables**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2017	132,000	10,957	1,327,685	165,178	46,227
Cash flows	(66,000)	(2,336)	91,058	(49,905)	(46,227)
Interest expenses	–	593	65,460	–	–
Non-cash addition recognition	–	–	89,506	29,863	–
Balance as at December 31, 2017	66,000	9,214	1,573,709	145,136	–
Cash flows	(10,000)	(2,422)	–	(15,487)	–
Interest expenses	–	410	73,965	–	–
Lease addition	–	147	–	–	–
Early termination of lease contracts	–	(2,130)	–	–	–
Disposal of subsidiary	–	(5,087)	–	–	–
Non-cash transaction – deemed contribution from Excluded Business	–	–	–	(23,796)	–
Balance as at December 31, 2018	56,000	132	1,647,674	105,853	–
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	–

34 DISPOSAL OF SUBSIDIARIES

(a) On October 16, 2018, the Group entered into an agreement to dispose of the subsidiary, namely Gamma Star Industrial, to an independent third party at a consideration of RMB20,000,000.

On the date of disposal, cash and cash equivalents of RMB27,651,000 was held by Gamma Star Industrial, which was shown as cash outflows in 2018.

All the consideration of RMB20,000,000 was received by the Group during the Track Record Period.

(b) On October 15, 2018, the Group entered into an agreement to dispose of the subsidiary, namely Qufu Hospital, to an independent third party at a consideration of RMB4,800,000. The gain on disposal was approximately RMB7,193,000.

On the date of disposal, cash and cash equivalents of RMB152,000 was held by Qufu Hospital, which was shown as cash outflows in 2018.

All the consideration of RMB4,800,000 was received by the Group during the Track Record Period.

35 BUSINESS COMBINATIONS

(a) Acquisition and combination under common control of Longyan Boai Hospital

On September 8, 2015, the Group entered into an agreement to acquired 70% equity interest in Longyan Boai Hospital from an independent third party at a cash consideration of RMB35,020,000.

On November 23, 2015, the Group entered into agreements to additionally acquired 30% equity interest in Longyan Boai Hospital from the independent third parties at a total cash consideration of RMB35,500,000.

In view of above two acquisition agreements with very short time interval, and relevant business arrangement was contemplated each others, the Group treated them as linked transaction.

On February 26, 2016, the Group entered into an agreement to dispose 100% equity interest in Longyan Boai Hospital to the related parties, which under common control of Mr. Zhu,at a consideration of RMB70,520,000.

On January 28, 2018, the Group acquired 100% equity interest in Longyan Boai Hospital from the related parties at a cash consideration of RMB17,200,000.

As stated in Note 1.3, the acquisition of Longyan Boai Hospital from the related parties in 2018 was regarded as a business combination under common control. Longyan Boai Hospital was included in the financial statements of the Group from the date of the acquisition from an independent third party in 2015, i.e. the date since the Group and Longyan Boai Hospital are under common control.

The goodwill of RMB186,019,000 arising from the acquisition in 2015 is attributable to entering into the healthcare industry, the management team and management process which can be replicated in the future.

(b) Acquisition of Chengwu Hygeia Hospital

On January 12, 2017, the Group acquired 80% equity interest in Chengwu Hygeia Hospital at a cash consideration of RMB20,000,000.

As a result of above acquisition, the Group was expected to increase its presence in healthcare industry. The goodwill of RMB4,530,000 arising from the acquisition was attributable to entering into the healthcare industry, the management team and management process which can be replicated in the future. None of the goodwill recognized is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Chengwu Hygeia Hospital, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Consideration paid:

	RMB'000
On January 12, 2017	
Cash consideration	20,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,200
Property, plant and equipment	11,138
Total identifiable net assets	19,338
Non-controlling interest	(3,868)
Goodwill	4,530
New assets acquired	20,000

The revenue and loss included in the consolidated statement of comprehensive income from the acquisition date to December 31, 2017, contributed by Chengwu Hygeia Hospital was RMB11,670,000 and RMB378,000, respectively.

If acquisition had occurred on the January 1, 2017, the revenue and loss of the Group for the year ended December 31, 2017 would be the same as the number shown in the consolidated statements of comprehensive income as Chengwu Hygeia Hospital commenced its operations after the acquisition.

On January 24, 2019, the Group entered into agreement to additionally acquired 20% equity interest in Chengwu Hygeia Hospital from the minority shareholders at a total cash consideration of RMB6,000,000.

(c) Cash flows of business combinations

For the acquisition of 80% equity interest in Chengwu Hygeia Hospital, the consideration of RMB16,200,000 was settled in 2017 while acquired cash of RMB10,000,000, and additional consideration of RMB1,680,000 and RMB1,420,000 was settled in 2018 and 2019. The remaining balance need to be paid is RMB700,000.

For the additional acquisition of 20% equity interest in Chengwu Hygeia Hospital, the consideration of RMB6,000,000 was settled in 2019.

The remaining payments for acquisition of subsidiaries in 2017 of RMB13,000,000 in the consolidated statements of cash flows are the payments for acquisitions occurred before the Track Record Period.

36 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.

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, 2017, 2018 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
Zhu Ligang (朱禮剛)	Relative 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 Longkun Biotechnology Co., Ltd (上海龍昆生物科技有限公司)	Ultimately controlled by Zhu Ligang
Shanghai Wenqiao Investment and Management Co., Ltd (上海文喬企業管理有限公司)	Ultimately controlled by Zhu Ligang
Dayang International Leasing (Shanghai) Co., Ltd (大洋國際租賃(上海)有限公司)	Ultimately controlled by Ji Hairong
Shanghai Rongqiao Biotechnology Co., Ltd (上海榮喬生物科技有限公司)	Ultimately controlled by Ji Hairong
The Excluded Business of Gamma Star Industrial	Business that ultimately controlled by Mr. Zhu up to October 16, 2018
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,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonus	2,383	4,471	4,010
Employer's contribution to retirement benefit plan	113	262	272
Allowances and benefits in kind	122	209	255
Share-based compensation expenses	1,993	11,226	9,608
	4,611	16,168	14,145

(c) Transactions with related parties

During the Track Record Period, 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,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Recurring transactions			
Radiotherapy Business Revenue			
– Handan Zhaotian Orthopedic Hospital *(i)*	576	327	–
– Handan Renhe Hospital	8,168	7,545	7,709
– Kaiyuan Jiehua Hospital	6,562	9,858	10,021
– Shanghai Nianjian Investment and Management Co.,Ltd	1,562	1,562	521
– Dayang International Leasing (Shanghai) Co.,Ltd *(ii)*	2,209	3,330	–
– The Excluded Business of Gamma Star Industrial	38,574	27,529	–
Hospital Management Business Revenue			
– Handan Zhaotian Orthopedic Hospital	–	128	–
– Handan Renhe Hospital	219	1,905	1,991
– Kaiyuan Jiehua Hospital	853	4,315	4,248
Depreciation on right-of-use assets and interest expense on lease liabilities			
– Ms. Zhu	1,289	1,221	1,039
– Shanghai Rongqiao Biotechnology Co., Ltd	420	407	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.

(i) Handan Zhaotian Orthopedic Hospital commenced renovation in December 2018 and is currently not in operation. It is expected to resume its operations before the end of 2020.

(ii) The Group did not renew the contract with Dayang International Leasing (Shanghai) Co.,Ltd since the year 2019 as it remains no radiotherapy center in cooperation.

(d) Balances with related parties

The Group

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Trade			
– Shanghai Nianjian Investment and Management Co., Ltd	3,312	3,223	–
– Dayang International Leasing (Shanghai) Co., Ltd	4,685	4,574	–
– Ms. Zhu	–	–	–
– Handan Renhe Hospital	–	–	3,132

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Non-Trade			
– Handan Renhe Hospital	8,200	13,583	–
– Kaiyuan Jiehua Hospital	18,575	22,634	–
– Handan Zhaotian Orthopedic Hospital	9,179	12,453	37
	43,951	56,467	3,169

As at December 31, 2017, 2018 and 2019, the balances were unsecured, interest-free, and collectable on demand and are denominated in RMB.

All non-trade amounts due from related parties have been settled in March 2020.

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties			
Trade			
– Shanghai Rongqiao Biotechnology Co., Ltd	378	–	–
– Ms. Zhu	1,255	–	–
– Kaiyuan Jiehua Hospital	–	–	4,648
– Handan Renhe Hospital	–	–	89
Non-trade			
– Shanghai Longkun Biotechnology Co., Ltd	124,660	124,660	–
– Xiangshang Investment	–	–	11,941
– Handan Renhe Hospital	1,000	–	–
– Kaiyuan Jiehua Hospital	1,598	–	–
– Shanghai Wenqiao Investment and Management Co.,Ltd	23	–	–
– Dayang International Leasing (Shanghai) Co.,Ltd	30,013	29,863	–
– The Excluded Business of Gamma Star Industrial	23,796	–	–
	182,723	154,523	16,678
Lease liabilities to			
– Ms. Zhu	1,255	–	1,860
– Shanghai Rongqiao Biotechnology Co., Ltd	2,969	2,607	682

As at December 31, 2017, 2018 and 2019, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

All non-trade amounts due to related parties have been settled in February 2020.

The Company

	As at December 31,	
	2018	2019
	RMB'000	*RMB'000*
Amounts due from a subsidiary		
Hygeia Hong Kong Limited	–	235,702
	–	235,702

	As at December 31,	
	2018	2019
	RMB'000	*RMB'000*
Amounts due to subsidiaries		
Gamma Star	2,398	5,658
Gamma Star Tech	177	12,394
	2,575	18,052

As at December 31, 2018 and 2019, the amounts were unsecured, interest-free, and repayable on demand and are denominated in RMB.

37 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,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	70,596	15,064	34,943
Intangible assets	538	500	1,068
	71,134	15,564	36,011

38 CONTINGENT LIABILITIES

As at December 31, 2017, 2018 and 2019, the Group did not have any material contingent liabilities.

39 SUBSEQUENT EVENTS

The redeemable shares are redeemable at the option of holders, details of which are set out in Note 27. 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 (Note 2.1). The change of carrying amount of redeemable shares by discounting the new contractual cash flows using the original effective interest rate have been recognized directly in other losses, amounting to approximately RMB98,532,000, of the consolidated statements of comprehensive income on February 13, 2020, the date that the deed of waiver was issued.

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, accordingly the related 18.44% shares held by limited liability partnerships would become the non-controlling interests upon Listing. For the details of the original arrangement of the Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital, please refer to Note 29(b). The accumulated share-based compensation expense would be trued up on the modification date.

The proposed capitalization issue pursuant to the resolutions in writing of all shareholders was passed on June 8, 2020. Pursuant to the shareholders' resolution, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the proposed global offering described in the Prospectus, the Company will allot and issue a total of 462,758,440 shares credited as fully paid at par value to the shareholders on the register of members of the Company at the close of business on the date immediately preceding the date on which the global offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of USD4,627.5844 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to the resolution shall rank pari passu in all respects with the then-existing issued Shares.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. None of the hospitals of the Group is located in Hubei Province. Only two radiotherapy centers with which the Group has radiotherapy business located in Hubei Province, which approximately contributed 1.2% of the total revenue for the year ended December 31, 2019. The Group did not encounter and do not expect to encounter any supply chain disruption during the COVID-19 outbreak. Based on management's preliminary assessment, no material adverse indicator was awarded on the business operating and subsequent settlement of trade receivables. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Up to the date of this report, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Save as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Group after December 31, 2019.

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Remuneration of every director during the Track Record Period was as follows:

	Fees	Salaries and wages	Share-based compensation expense	Allowances and benefits in kind	Employer's contribution to retirement benefit plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2017						
Executive directors *(i)*						
Mr. Zhu Yiwen *(v)*	–	482	–	14	14	510
Mr. Ren Ai	–	318	1,013	35	35	1,401
Ms. Cheng Huanhuan	–	147	–	10	8	165
Mr. Zhang Wenshan	–	176	–	16	14	206
Non-executive directors *(ii)*						
Mr. Fang Min	–	–	–	–	–	–
Mr. Zhao Yan	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–
	–	1,123	1,013	75	71	2,282
Year ended December 31, 2018						
Executive directors *(i)*						
Mr. Zhu Yiwen *(v)*	–	682	–	32	43	757
Mr. Ren Ai	–	460	4,718	38	47	5,263
Ms. Cheng Huanhuan	–	320	–	18	23	361
Mr. Zhang Wenshan	–	318	–	22	29	369
Non-executive directors *(ii)*						
Mr. Fang Min	–	–	–	–	–	–
Mr. Zhao Yan	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–
	–	1,780	4,718	110	142	6,750

	Fees	Salaries and wages	Share-based compensation expense	Allowances and benefits in kind	Employer's contribution to retirement benefit plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019						
Executive directors *(i)*						
Mr. Zhu Yiwen *(v)*	–	684	–	46	49	779
Mr. Ren Ai	–	492	3,932	46	49	4,519
Ms. Cheng Huanhuan	–	338	–	35	37	410
Mr. Zhang Wenshan	–	400	–	41	43	484
Non-executive directors *(ii)*						
Mr. Fang Min	–	–	–	–	–	–
Mr. Zhao Yan	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–
	–	1,914	3,932	168	178	6,192

(i) Mr. Zhu Yiwen, Mr. Ren Ai, Ms. Cheng Huanhuan and Mr. Zhang Wenshan were appointed as the executive directors of the Company on June 3, 2019, September 12, 2018, June 3, 2019 and January 20, 2020, respectively. The remuneration shown above represents remuneration received and receivable from the Group by these executive directors in their capacity as employees or/and directors of the companies now comprising the Group.

(ii) Mr. Fang Min, Mr. Zhao Yan and Mr. Cao Yanlin were appointed as the Company's non-executive directors on June 3, 2019. During the Track Record Period, the non-executive directors did not receive directors' remuneration in the capacity of non-executive directors.

(iii) 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 Track Record Period, the independent non-executive directors did not receive directors' remuneration in the capacity of independent non-executive directors.

(iv) No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office or no directors waived or agreed to waive any emoluments during the years ended December 31, 2017, 2018 and 2019.

(v) Mr. Zhu Yiwen resigned from his positions as the executive director of the Company on January 20, 2020.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended December 31, 2017, 2018 and 2019.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the years ended December 31, 2017, 2018 and 2019.

(d) Information about loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 36, no loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2017, 2018 and 2019.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, 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, 2017, 2018 and 2019.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2019 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2019.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of December 31, 2019 as if the Global Offering had taken place on December 31, 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at December 31, 2019 or at any future dates following the Global Offering.

	Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as at December 31, 2019	Estimated Net Proceeds from the Global Offering	Estimated Impact to the Net Assets upon the Lapse of Redemption Rights of Redeemable Shares of the Group	Estimated Impact to the Net Assets upon the Termination of the Restricted Period of Pre-IPO Restricted Share Scheme of Shanxian Hygeia Hospital upon the Listing	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to the Owners of the Company as at December 31, 2019	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*		*(Note 5)*	*(Note 6)*
Based on the Offer Price of HK$17.00 per Offer Share	(588,312)	1,759,813	2,002,011	(61,988)	3,111,524	5.19	5.67
Based on the Offer Price of HK$18.50 per Offer Share	(588,312)	1,917,841	2,002,011	(61,988)	3,269,552	5.45	5.96

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at December 31, 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at December 31, 2019 of approximately RMB202,606,000, after deducting the Group's intangible assets attributable to the owners of the Company of approximately RMB385,706,000 as at December 31, 2019.

(2) The estimated net proceeds from the Global Offering are based on 120,000,000 Offer Shares and the indicative Offer Price of HK$17.00 per Offer Share and HK$18.50 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of RMB2,300,000 and RMB20,311,000 which have been accounted for in the consolidated statements of comprehensive income for the year ended December 31, 2018 and the year ended December 31, 2019, respectively).

(3) Upon Listing, all the redemption rights of redeemable shares of the Group will be automatically lapsed pursuant to the respective share subscribe agreements. Prior to the lapse of the redemption rights, the redeemable shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB2,002,011,000, being the carrying amounts of the redeemable shares of the Group as at December 31, 2019 net off by the declared dividend of RMB28,059,000 attributable to redeemable shares.

(4) Upon Listing, the restricted period of 18.44% equity interest in Shanxian Hygeia Hospital held under pre-IPO restricted share scheme will automatically terminate pursuant to the supplemental agreements entered into on May 5, 2020. Prior to such termination, the Group controlled and consolidated the relevant 18.44% equity interest in Shanxian Hygeia Hospital. For the purpose of the unaudited pro forma adjusted consolidated net tangible assets, adjustments represent the deconsolidation of the relevant 18.44% equity interest, as a result of which, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will decrease by RMB61,988,000, representing 18.44% of the net asset value of Shanxian Hygeia Hospital as of December 31, 2019.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the proceeding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue (including the lapse of redemption rights of redeemable shares) have been completed on December 31, 2019 but does not take into account of any Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option or any Shares which may be issued and repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(6) For the purpose of the unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi amounts into Hong Kong dollars was at rate of RMB0.91459 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

(7) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2019.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Hygeia Healthcare Holdings Co., Limited 海吉亚医疗控股有限公司

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hygeia Healthcare Holdings Co., Limited 海吉亚医疗控股有限公司 (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 16, 2020, in connection with the proposed global offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at December 31, 2019 as if the proposed global offering had taken place at December 31, 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended December 31, 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at December 31, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, June 16, 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 12, 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the **"Memorandum"**) and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 8, 2020. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed 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 so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board 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.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, 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.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

Extraordinary general meetings shall be convened on the requisition of one or more members holding, as 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. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 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.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on September 12, 2018 subject to the Cayman Companies Law. Certain provisions of the Cayman Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Law;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "B. Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law, as an exempted company with limited liability on September 12, 2018. Our Company has established a place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 25, 2019. Ms. Yeung Ching Man has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Law is set forth in Appendix III to this prospectus.

2. Changes in the share capital of our Company

On September 12, 2018, our Company was incorporated with an authorized share capital of US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each.

The following sets out the changes in the share capital of our Company since its incorporation:

(a) On September 12, 2018, our Company issued an aggregate of 1,000,000 Shares in the following manner:

    (i) 1 Share to Vistra (Cayman) Limited, which was then transferred to Group & Ray I Limited on the same day;

    (ii) 4,455 Shares to Group & Ray I Limited;

    (iii) 4,456 Shares to Group & Ray II Limited;

    (iv) 396,436 Shares to Century River;

    (v) 297,326 Shares to Amber Tree; and

    (vi) 297,326 Shares to Red Palm.

(b) On October 15, 2018, our Company issued 5,971 Shares to Group & Ray III Limited.

(c) On January 21, 2019, our Company issued an aggregate of 64,481 Shares in the following manner:

(i) 40,838 Shares to WuXi PharmaTech Healthcare Fund I L.P.;

(ii) 3,224 Shares to Century River; and

(iii) 20,419 Shares to Long Hill 1 Plus.

(d) On March 22, 2019, the 40,838 Shares issued to WuXi PharmaTech Healthcare Fund I L.P. and 20,419 Shares issued to Long Hill 1 Plus were surrendered by WuXi PharmaTech Healthcare Fund I L.P. and Long Hill 1 Plus, respectively.

(e) On May 6, 2019, our Company issued an aggregate of 61,257 Shares in the following manner:

(i) 40,838 Shares to WuXi PharmaTech Healthcare Fund I L.P.; and

(ii) 20,419 Shares to Long Hill 1 Plus.

(f) On May 10, 2019, our Company issued an aggregate of 16,235 Shares in the following manner:

(i) 812 Shares to Century River Holdings Limited; and

(ii) 15,423 Shares to Long Hill HGY.

(g) On June 3, 2019, our Company issued an aggregate of 614,451 Shares in the following manner:

(i) 297,259 Shares to Fountain Grass;

(ii) 133,682 Shares to Harmony Healthcare;

(iii) 89,122 Shares to Xinrunheng Inc.;

(iv) 40,510 Shares to Huagai Xincheng;

(v) 40,510 Shares to Utru Star; and

(vi) 13,368 Shares to Long Hill 1.

(h) On July 17, 2019, our Company issued an aggregate of 23,018 Shares in the following manner:

(i) 1,663 Shares to Jolly Lake Investment Holdings Limited;

(ii) 6,157 Shares to Spruce Wood Investment Holdings Limited;

(iii) 8,620 Shares to Star Array Investment Holdings Limited; and

(iv) 6,578 Shares to Olive Stone Holdings Limited.

(i) On September 18, 2019, our Shareholders resolved, among other things that, all the issued and unissued ordinary shares of our Company at a par value of US$0.0001 each will be subdivided into 10 Shares at a par value of of US$0.00001 each such that the authorized share capital of our Company shall be US$50,000 divided into 5,000,000,000 Shares of par value US$0.00001 each and the issued share capital shall be US$172.4156 divided into 17,241,560 Shares of a nominal or par value of US$0.00001 each.

Save for the aforesaid and as mentioned in the section headed "– 3. Resolutions in writing of all our Shareholders passed on June 8, 2020" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all our Shareholders passed on June 8, 2020

Pursuant to the written resolutions passed by our Shareholders on June 8, 2020, it was resolved, among others:

(a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon the listing of our Shares on the Stock Exchange;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the Offer Price being determined, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option;

(ii) the grant of the Over-allotment Option by the Company to the International Underwriters, exercisable by the Joint Representatives, pursuant to which the Joint Representatives (on behalf of the International Underwriters) may require the Company to allot and issue up to an aggregate of additional 18,000,000 Shares to cover, among others, the over-allocation in the International Offering was approved; and

(iii) the proposed Listing was approved and our Directors were authorized to implement the Listing.

(c) subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, the Directors were authorized to allot and issue a total of 462,758,440 Shares credited as fully paid at par value to the holders of Shares whose names appear on the register of members of the Company at the close of business on the business day immediately preceding the Listing Date (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of US$4,627.5844 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

(d) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and of the Global Offering.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest;

(e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering.

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest; and

(f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering).

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, please refer to the section headed "History, Reorganization and Corporate Structure – Reorganization."

5. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountant's Report in Appendix I to this document.

Save as disclosed below, there has been no alteration in the share capital or the registered capital of any of our Subsidiaries within the two years immediately preceding the date of this prospectus:

Hygeia BVI

On October 2, 2018, Hygeia BVI was incorporated in the British Virgin Islands with 50,000 authorized shares of US$1.00 par value each. All the 50,000 shares were issued at par value to our Company on the even date.

Hygeia HK

On October 19, 2018, Hygeia HK was incorporated in Hong Kong with a total amount of issued share capital of HK$10,000. 10,000 shares were issued to Hygeia BVI for a consideration of HK$10,000 on the even date.

Gamma Star

On August 20, 2018, the registered capital of Gamma Star was increased from RMB48,702,206 to RMB49,044,193.

On August 22, 2018, the registered capital of Gamma Star was increased from RMB49,044,193 to RMB49,153,683.

On June 5, 2019, the registered capital of Gamma Star was further increased from RMB49,153,683 to RMB250,000,000.

Qiushi Investment

On August 1, 2019, the registered capital of Qiushi Investment was increased from RMB60,000,000 to RMB80,000,000.

Gamma Star Tech

On August 2, 2019, the registered capital of Gamma Star Tech was increased from RMB140,000,000 to RMB150,000,000.

Hygeia Hospital Management

On March 6, 2019, Hygeia Hospital Management was established in the PRC with a registered capital of RMB50,000,000.

Shanxian Hygeia Hospital

On August 29, 2018, the registered capital of Shanxian Hygeia Hospital was increased from RMB214,046,613 to RMB234,187,431.

Heze Hygeia Hospital

On April 8, 2019, the registered capital of Heze Hygeia Hospital was increased from RMB110,000,000 to RMB157,142,857.15.

Suzhou Canglang Hospital

On April 8, 2019, the registered capital of Suzhou Canglang Hospital was increased from RMB13,200,000 to RMB18,857,143.

Chongqing Hygeia Hospital

On April 8, 2019, the registered capital of Chongqing Hygeia Hospital was increased from RMB50,000,000 to RMB71,428,571.43.

Anqiu Hygeia Hospital

On April 8, 2019, the registered capital of Anqiu Hygeia Hospital was increased from RMB15,000,000 to RMB21,428,571.43.

Chengwu Hygeia Hospital

On April 8, 2019, the registered capital of Chengwu Hygeia Hospital was increased from RMB18,200,000 to RMB26,000,000.

Liaocheng Hygeia Hospital

On June 20, 2019, Liaocheng Hygeia Hospital was established in the PRC with a registered capital of RMB50,000,000.

Gamma Star Consulting

On August 23, 2019, Gamma Star Consulting was established in the PRC with a registered capital of RMB10,000,000.

Dezhou Hygeia Hospital

On December 18, 2019, Dezhou Hygeia Hospital was established in the PRC with a registered capital of RMB50,000,000.

Liaocheng Supply Chain

On May 27, 2020, Liaocheng Supply Chain was established in the PRC with a registered capital of US$5 million.

6. Repurchase of Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(*Note*: Pursuant to the resolutions in writing of all our Shareholders passed on June 8, 2020, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Capitalization Issue and the Global Offering, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of Repurchased Securities

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Memorandum and Articles of Association and subject to the Companies Law of the Cayman Islands, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Memorandum and Articles of Association and subject to the Companies Law of the Cayman Islands, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances. No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

(1) a capital increase agreement dated July 10, 2018 entered into by and among Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司) ("**Xiangshang Investment**"), Fountain Grass Investment Ltd, Guokai Boyu II (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)) ("**Guokai Boyu**"), Beijing Xinrunheng Equity Investment Partnership (Limited Partnership) (北京信潤恒股權投資合夥企業(有限合夥)) ("**Beijing Xinrunheng**"), Long Hill Holding I Hong Kong Limited (長嶺控股一期香港有限公司) ("**Long Hill HK**"), Huagai Xincheng Healthcare Investment Chengdu Partnership (Limited Partnership) (華蓋信誠醫療健康投資成都合夥企業(有限合夥)) ("**Huagai Chengdu**"), Zhuhai Utru Star X Investment Partnership (Limited Partnership) (珠海粵鉑星十號投資合夥企業(有限合夥)) ("**Zhuhai Utru Star**"), Shanghai Yueheng Medical Information Technology Service Center (Limited Partnership) (上海悦衡醫療信息技術服務中心(有限合夥)) ("**Shanghai Yueheng**"), Shanghai Yuehuan Medical Information Technology Service Center (Limited Partnership) (上海悦桓醫療信息技術服務中心(有限合夥)) ("**Shanghai Yuehuan**") and Gamma Star, pursuant to which Shanghai Yueheng and Shanghai Yuehuan agreed to subscribe for a total registered capital of RMB341,987 of Gamma Star at a total consideration of RMB25.3 million;

(2) a capital increase agreement dated July 10, 2018 entered into by and among Xiangshang Investment, Fountain Grass Investment Ltd, Guokai Boyu, Beijing Xinrunheng, Long Hill HK, Huagai Chengdu, Zhuhai Utru Star, Shanghai Yueheng, Shanghai Yuehuan, Shanghai Yueteng Medical Information Technology Service Center (Limited Partnership) (上海悦騰醫療信息技術服務中心(有限合夥)) ("**Shanghai Yueteng**") and Gamma Star, pursuant to which Shanghai Yueteng agreed to subscribe for the registered capital of RMB109,490 of Gamma Star at a total consideration of RMB8.1 million;

(3) an equity transfer agreement dated October 15, 2018 entered into by and between Gamma Star Tech and Jiangsu Gurun Medical Technology Co., Ltd. (江蘇鈷潤醫療科技有限公司), pursuant to which Gamma Star Tech agreed to transfer its 100% equity interest in Qufu Chengdong Hospital Co., Ltd. (曲阜城東醫院有限公司) to Jiangsu Gurun Medical Technology Co., Ltd. (江蘇鈷潤醫療科技有限公司) at a consideration of RMB4.8 million;

(4) an equity transfer agreement dated October 16, 2018 entered into by and among Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司), Gamma Star and Jiangsu Gurun Medical Technology Co., Ltd. (江蘇鈷潤醫療科技有限公司), pursuant to which Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司) and Gamma Star agreed to transfer 100% equity interest in Shanghai Gamma Star Industrial Co., Ltd. (上海伽瑪星實業有限公司) to Jiangsu Gurun Medical Technology Co., Ltd. (江蘇鈷潤醫療科技有限公司) at a total consideration of RMB20 million;

(5) a supplemental agreement dated November 16, 2018 entered into by and among Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司), Gamma Star and Jiangsu Gurun Medical Technology Co., Ltd. (江蘇鈷潤醫療科技有限公司), pursuant to which the parties thereto agreed to incorporate certain provisions to the equity transfer agreement entered into by the same parties as set out in paragraph (4) above;

(6) an ordinary share subscription agreement dated January 21, 2019 entered into by and among our Company, Gamma Star Medical Technology Development Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司), WuXi PharmaTech Healthcare Fund I L.P., Long Hill Capital Venture Partners 1 Plus, L.P., and Century River Holdings Limited, pursuant to which WuXi PharmaTech Healthcare Fund I L.P. and Long Hill Capital Venture Partners 1 Plus, L.P. agreed to subscribe for 61,257 Shares at a total consideration of US$30 million and Century River Holdings Limited agreed to subscribe for 3,224 Shares at a consideration of US$0.3224;

(7) a supplemental agreement dated March 22, 2019 entered into by and among our Company, Gamma Star Medical Technology Development Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司), WuXi PharmaTech Healthcare Fund I L.P., Long Hill Capital Venture Partners 1 Plus, L.P., and Century River Holdings Limited, pursuant to which the parties thereto agreed to revise certain provisions of the ordinary share subscription agreement entered into by the same parties as set out in paragraph (6) above;

(8) an equity transfer agreement dated January 21, 2019 entered into by and between Shanghai Ruqiao Investment Management Co., Ltd. (上海如喬投資管理有限公司) and Gamma Star Tech, pursuant to which Shanghai Ruqiao Investment Management Co., Ltd. (上海如喬投資管理有限公司) agreed to transfer its 1% equity interest in Suzhou Suchen Medical Investment Development Co., Ltd. (蘇州蘇辰醫療投資發展有限公司) to Gamma Star Tech at a consideration of RMB1,130,258.47;

(9) an equity transfer agreement dated January 24, 2019 entered into by and between Zhao Hui (趙慧) and Gamma Star Tech, pursuant to which Zhao Hui (趙慧) agreed to transfer the 20% equity interest in Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司) to Gamma Star Tech at a consideration of RMB6 million;

(10) an ordinary share subscription agreement dated May 10, 2019 entered into by and among our Company, Gamma Star Medical Technology Development Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司), Long Hill Capital Venture Partners HGY, L.P., and Century River Holdings Limited, pursuant to which Long Hill Capital Venture Partners HGY, L.P. agreed to subscribe for 15,423 Shares at a consideration of US$7.8 million and Century River Holdings Limited agreed to subscribe for 812 Shares at a consideration of US$0.0812;

(11) a capital increase agreement dated June 3, 2019 entered into by and among Xiangshang Investment, Fountain Grass Investment Ltd, Guokai Boyu, Beijing Xinrunheng, Long Hill HK, Huagai Chengdu, Zhuhai Utru Star, Shanghai Yueheng, Shanghai Yuehuan, Shanghai Yueteng, Hygeia HK, and Gamma Star, pursuant to which Xiangshang Investment and Hygeia HK agreed to subscribe for a total registered capital of RMB200,846,317 of Gamma Star at a total consideration of RMB200,846,317;

(12) an equity transfer agreement dated June 3, 2019 entered into by and among Xiangshang Investment, Fountain Grass Investment Ltd, Guokai Boyu, Beijing Xinrunheng, Long Hill HK, Huagai Chengdu, Zhuhai Utru Star, Shanghai Yueheng, Shanghai Yuehuan, Shanghai Yueteng, and Hygeia HK, pursuant to which Hygeia HK agreed to purchase 19.71% equity interest in Gamma Star from the other parties thereto at a consideration as further described in the section headed "History, Reorganization and Corporate Structure";

(13) a share subscription agreement dated June 3, 2019 entered into by and among our Company, Mr. Zhu Yiwen (朱義文), Century River Holdings Limited, Century River Investment Holdings Limited, Ms. Zhu Jianqiao (朱劍喬), Red Palm Holdings Limited, Amber Tree Holdings Limited, Red Palm Investment Holdings Limited, Hygeia HK, Gamma Star Medical Technology Development Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司), Fountain Grass Investment Ltd, Harmony Healthcare Investment Holdings Limited, Xinrunheng Inc., Huagai Xincheng Healthcare Investment Holdings Limited, Utru Star Holdings Limited, and Long Hill Capital Venture Partners 1, L.P., pursuant to which Fountain Grass Investment Ltd,

Harmony Healthcare Investment Holdings Limited, Xinrunheng Inc., Huagai Xincheng Healthcare Investment Holdings Limited, Utru Star Holdings Limited and Long Hill Capital Venture Partners 1, L.P. agreed to subscribe for an aggregate of 614,451 Shares of our Company at a consideration as further described in the section headed "History, Reorganization and Corporate Structure";

(14) an exclusive operation services agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management, Xiangshang Investment, Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司), Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司), Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司) and Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(15) an exclusive option agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(16) an exclusive option agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management, Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司), Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司), Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司) and Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(17) a shareholders' rights entrustment agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(18) a power of attorney dated April 8, 2019 executed by Xiangshang Investment in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(19) a shareholders' rights entrustment agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management, Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司), Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司), Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司),

Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司) and Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(20) a power of attorney dated April 8, 2019 executed by Hygeia Hospital Management in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(21) a power of attorney dated April 8, 2019 executed by Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(22) an equity pledge agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Xiangshang Investment, as further described in the section headed "Contractual Arrangements";

(23) an equity pledge agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management, Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司), Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司), Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司) and Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(24) an equity pledge agreement dated April 8, 2019 entered into by and among Gamma Star Tech, Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) and Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), as further described in the section headed "Contractual Arrangements";

(25) an exclusive operation services agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management, Xiangshang Investment and Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(26) an exclusive option agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(27) an exclusive option agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(28) a shareholders' rights entrustment agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(29) a power of attorney dated June 20, 2019 executed by Xiangshang Investment in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(30) a shareholders' rights entrustment agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(31) a power of attorney dated June 20, 2019 executed by Hygeia Hospital Management in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(32) an equity pledge agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(33) an equity pledge agreement dated June 20, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(34) an exclusive operation services agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management, Xiangshang Investment and Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(35) an exclusive option agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(36) an exclusive option agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(37) a shareholders' rights entrustment agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(38) a power of attorney dated December 18, 2019 executed by Xiangshang Investment in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(39) a shareholders' rights entrustment agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(40) a power of attorney dated December 18, 2019 executed by Hygeia Hospital Management in favor of Gamma Star Tech, as further described in the section headed "Contractual Arrangements";

(41) an equity pledge agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management, as further described in the section headed "Contractual Arrangements";

(42) an equity pledge agreement dated December 18, 2019 entered into by and among Gamma Star Tech, Hygeia Hospital Management and Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司), as further described in the section headed "Contractual Arrangements";

(43) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Gaoling Fund, L.P., YHG Investment, L.P., Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors";

(44) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P., Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors";

(45) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Hudson Bay Master Fund Ltd, Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors";

(46) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Tiger Pacific Master Fund LP, Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors";

(47) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Lake Bleu Prime Healthcare Master Fund Limited, Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors";

(48) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Golden Valley Global Limited, Morgan Stanley Asia Limited, Haitong International Capital Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors";

(49) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Foresight Orient Global Superior Choice SPC – Global Superior Choice Series Fund 1 SP, Foresight Orient Global Superior Choice SPC – Vision Fund 1 SP, Morgan Stanley Asia Limited, Haitong International Capital Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors";

(50) a cornerstone investment agreement dated June 11, 2020 entered into among our Company, Sage Partners Master Fund, Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors";

(51) a cornerstone investment agreement dated June 12, 2020 entered into among our Company, China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司), Morgan Stanley Asia Limited, Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are included in the section headed "Cornerstone Investors"; and

(52) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

(1) Trademarks for which registration has been granted

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Registration date	Expiry date
1.	伽玛星	PRC	17659589	Gamma Star Tech	44	2016-09-28	2026-09-27
2.	Star	PRC	5035890	Gamma Star Tech	10	2019-07-07	2029-07-06
3.	海吉亚	PRC	34293647	Heze Hygeia Hospital	44	2019-11-28	2029-11-27
4.	海吉亚医疗	PRC	34292122	Heze Hygeia Hospital	44	2019-10-14	2029-10-13
5.	HYGEIA	Hong Kong	304877740	Hygeia HK	44	2019-04-01	2029-03-31
6	HYGEIA	Hong Kong	304877731	Hygeia HK	44	2019-04-01	2029-03-31
7.	海吉亚	Hong Kong	304877722	Hygeia HK	44	2019-04-01	2029-03-31

(2) Classification of goods and services for trademarks

The table below sets out the classification of goods for trademarks in Hong Kong and the PRC (the detailed classification in relation to the relevant trademarks depends on the details set out in the relevant trademark certificates and may differ from the list below):

Class Number	Goods and Services
10	Surgical, medical, dental, and veterinary apparatus and instruments, artificial limbs, eyes, and teeth; orthopedic articles; suture materials; therapeutic and assistive devices adapted for the disabled; massage apparatus; apparatus, devices and articles for nursing infants; sexual activity apparatus, devices and articles.
44	Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

Patents

As of the Latest Practicable Date, we have registered the following patents which are material in relation to our Group's business:

	Patent	Patentee	Class of Patent	Patent Number	Expiry Date
1.	一種聚焦式伽瑪射線治療裝置 (translated as "a focused gamma ray treatment device")	Gamma Star	Invention	2004100511145	2024-08-16
2.	一種多功能定向穿刺裝置 (translated as "a multifunctional directional puncture device")	Gamma Star Tech	Utility model	2016209794468	2026-08-28
3.	一種頭模檢測放療裝置 (translated as "a head mold detection radiotherapy device")	Gamma Star Tech	Utility model	2016209783162	2026-08-28
4.	一種體部定向穿刺裝置 (translated as "a body directional puncture device"	Gamma Star Tech	Utility model	2016209783726	2026-08-28

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material in relation to our Group's business:

No.	Copyright	Registered owner	Registration number	Place of Registration	Registration Date
1.	HYGEIA	Heze Hygeia Hospital	國作登字-2018-F-00685453	PRC	2018-12-13

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material in relation to our Group's business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	upmedical.cn	Gamma Star Tech	2015-10-13	2025-10-13
2.	hygeia-group.com.cn	Gamma Star Tech	2011-04-25	2029-04-25

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Disclosure of interest – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalization Issue and the Global Offering (but without taking into account the exercise of the Over-allotment Option), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interests in the Shares of our Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares	Approximate percentage of interest in the total share capital of our Company
Mr. Ren Ai[(1)(2)]	Interest in a controlled corporation/Interest of spouse	28,753,709	46.46%

Notes:

(1) Mr. Ren 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. See the section headed "Substantial Shareholders" for details.

(ii) Interests in our 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 our Company by virtue of the Contractual Arrangements and therefore, is an associated corporation of our Group.

(2) Mr. Zhu and 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 our Company and therefore, is an associated corporation of our Group.

(4) Hygeia Hospital Management holds 30% equity interest in each of the VIE Hospitals (other than Shanxian Hygeia Hospital), and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of the VIE Hospitals (other than Shanxian Hygeia Hospital) held by Hygeia Hospital Management.

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

(6) The organizer's interest of each of the Managed Hospitals was held by us and Xiangshang Investment as to 70% and 30%, respectively, and therefore each of the Managed Hospitals is an associated corporation of our Group.

The changes of 30% organizer's interest in Handan Renhe Hospital and Handan Zhaotian Hospital have not been filed with the competent authorities due to practical difficulties. Handan Renhe Hospital and Handan Zhaotian Hospital will complete such filings as soon as practicable under applicable laws.

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

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

(b) Disclosure of interest – interests and short positions discloseable under Divisions 2 and 3 of the Part XV of the SFO

Save as disclosed in "Substantial Shareholders" of this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Capitalization Issue and the Global Offering, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

Save as disclosed in this prospectus, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the the completion of the the Capitalization Issue and the Global Offering, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or had option in respect of such capital.

2. Particulars of service contracts and letters of appointment

Each of Ms. Cheng Huanhuan, Mr. Ren Ai and Mr. Zhang Wenshan, being our executive Directors, has entered into a service contract with our Company, under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Fang Min, Mr. Cao Yanling and Mr. Zhao Yan, being our non-executive Directors has entered into a letter of appointment with our Company, under which they agreed to act as non-executive Director for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Liu Yanqun, Mr. Chen Penghui and Mr. Ye Changqing, being our independent non-executive Directors has entered into a letter of appointment with our Company, under which they agreed to act as independent non-executive Director for an initial term of three years from the date of appointment or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and applicable laws, rules and regulations.

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the three years ended December 31, 2017, 2018 and 2019 were RMB2.3 million, RMB6.8 million and RMB6.2 million, respectively.

Except for Mr. Fangmin, Mr. Zhao Yan and Mr. Cao Yanlin, who are our non-executive Directors, none of our Directors has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2017, 2018 and 2019, by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

It is estimated that remuneration equivalent to approximately RMB2.46 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2020, based on the arrangements currently in force.

4. Personal Guarantees

Save as disclosed in this prospectus, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

Save as disclosed herein:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) none of our Directors or any of the experts referred to under paragraph headed "– E. Other Information – 8. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the Global Offering, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO SHARE INCENTIVE PLANS

1. Pre-IPO Restricted Share Scheme

The following is a summary of the principal terms of the Pre-IPO Restricted Share Scheme approved and adopted by our Company on July 17, 2019 which recognized the share incentive plan implemented by Gamma Star in July 2018. The Pre-IPO Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares. The Pre-IPO Restricted Share Scheme will terminate upon the Listing and no Shares will be issued or granted under such scheme.

(a) Purposes

The purpose of the Pre-IPO Restricted Share Scheme is to reward the participants for their contributions in the development of our Group, provide the participants with the opportunity to receive proprietary interests in the Shares of the Company 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.

(b) Selected Participants

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.

Each selected participant has entered into a restricted share subscription agreement and a supplemental agreement (collectively the "**Restricted Share Agreements**") with, among others, the Company for issue and subscription of the Restricted Shares under the Pre-IPO Restricted Share Scheme.

(c) Administration

The Pre-IPO Restricted Share Scheme is administered by a special committee (the "**Special Committee**") authorized and established by the Board. The Special Committee shall have the authority to determine how to deal with the Restricted Shares where situations that are not provided in the Restricted Share Agreements arise.

(d) Restrictions on the Restricted Shares

The Restricted Shares held by the selected participants under the Pre-IPO Restricted Share Scheme 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 sixty (60) months therefrom, or (ii) the Listing Date. During the lock-up period, the selected participants shall not dispose of the Restricted Shares held under the Pre-IPO Restricted Share Scheme.

During the lock-up period, the Restricted Shares held by the selected participants are subject to repurchase by the Company under certain circumstances as specified in the Pre-IPO Restricted Share Scheme.

Upon and after expiry of the lock-up period:

i. if the Shares are listed, the selected participants can dispose of their Restricted Shares in their own discretion subject to compliance with, among others, applicable laws and regulations, rules applicable to listed companies and regulations issued by the competent authorities where the Shares are listed;

ii. if the Shares are not listed, the selected participants can either continue to hold the Shares or transfer the Restricted Shares to other shareholders of the Company at the price agreed between the transferor and transferee, subject to the right of first refusal of the Company; and

iii. If the selected participants choose to hold the Shares, the Company is entitled to repurchase all the Shares held by the selected participants at the price of the initial subscription price in the event that the selected participants commit any of the prohibited acts, including but not limited to, (i) material misconduct, serious dereliction of duty, or material breach of the labor contract or consultant agreement signed with the Group, or material violation of the rules and regulations issued by the Group; (ii) material mistakes in decision-making causing significant losses to the Group; (iii) disposal of the Restricted Shares in breach of the Restricted Share Agreements; (iv) working or part-time working in any other company that has a competitive business relationship with the Group; engaging in any profit-making activities or business without the consent of the Group; working on other business affairs that are not arranged by the Group during working hours; (v) bribery, corruption, malpractice; theft, encroachment or misappropriation of property of the Group; (vi) participating in any business competing with the Group, or seeking competitive interests for other companies; engaging in any activities that will damage the reputation, image and economic interests of the Group; (vii) disclosing, informing and delivering trade secrets of the Group to any third party; making trade secrets public in any form (including publication, posting online, application of patents, etc.) without the permission of the Group; (viii) non-compliance with any applicable laws and committing crime; and (ix) other acts that will harm the interests of the Group (collectively the "**Prohibited Acts**").

(e) Rights attached to the Restricted Shares

The selected participants own the Restricted Shares through certain holding companies and are entitled to the economic interests of the Restricted Shares, including the rights to receive dividends and other economic benefits.

The Special Committee is authorized to handle all the affairs of the companies holding the Restricted Shares, namely Group & Ray I Limited, Group & Ray II Limited, and Group & Ray III Limited (collectively the "**RSS Holding Companies**"), and is authorized to (i) exercise, on an exclusive basis, all the rights in relation to the management of the affairs of the RSS Holding Companies, including but not limited to the management, control, operation and decision-making of the investment, business and other affairs, and (ii) exercise, on an irrevocable basis, the shareholders' rights in respect of the Restricted Shares, including but not limited to the voting rights.

(f) Indemnification and tax

The selected participants shall fully indemnify the the Group any loss incurred by their misconduct and the Company and RSS Holding Companies shall have the rights to deduct taxes, amounts due (if any), penalty, and compensation directly from the amounts payable to the selected participants (including but not limited to dividends and sale proceeds).

During any time after resignation or termination of employment with our Group, if the selected participants are found to have committed any Prohibited Acts at any time during their employment with our Group, all proceeds from disposal of Restricted Shares, after deducting the original subscription price paid by the relevant selected participant, shall be returned to the Company. In the case that such returned proceeds are not sufficient to cover the losses incurred by the Group, the selected participants shall make further compensation.

Selected participants shall bear all the taxes relating to the Restricted Shares under applicable laws. The Company and the RSS Holding Companies shall have the right to withhold taxes from the amounts payable to the selected participants.

(g) Amendment and termination

The Company has the right to amend, modify and supplement the terms of the Restricted Share Agreements in its own discretion.

The Restricted Share Agreements can be terminated upon agreement upon all parties. If any selected participant breaches any terms in the Restricted Share Agreements or the articles of association of the Company or the RSS Holding Companies, the Company has the right to unilaterally terminate the Restricted Share Agreements.

(h) Subscription of the Restricted Shares

The selected participants of our Pre-IPO Restricted Share Scheme subscribed for the Restricted Shares through Group & Ray I Limited, Group & Ray II Limited and Group & Ray III Limited, which are wholly-owned by Group & Ray I Investment Limited, Group & Ray II Investment Limited and Group & Ray III Investment Limited, respectively, which are in turn owned by these participants.

As of the Latest Practicable Date, an aggregate of 148,830 Restricted Shares, representing 0.863% of the total issued share capital of our Company, were issued to a total of 27 participants. Three of the participants are our Directors, two are our senior management members and the remaining 22 are employees or consultant of our Company. The Restricted Shares have been issued on a one-off basis and no Shares will be issued under the Pre-IPO Restricted Share Scheme.

Immediately following completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the number of Restricted Shares issued pursuant to the Pre-IPO Restricted Share Scheme amounts to 4,143,384 Shares, representing 0.6906% of the total issued share capital of our Company. Particulars of the Restricted Shares issued to our Directors and senior management members are set forth below:

Name of participants	Position held with our Group	Number of Restricted Shares	Approximate shareholding percentage(1)
Directors of our Company			
Cheng Huanhuan(2)	Executive Director, Chief Executive Officer	49,621	0.0083%
Ren Ai(2)	Executive Director, Senior vice president and assistant to the chairman of the Board	642,597	0.1071%
Zhang Wenshan(2)	Executive Director, Director of research & development and manufacturing	62,027	0.0103%

Name of participants	Position held with our Group	Number of Restricted Shares	Approximate shareholding percentage[(1)]
Senior management of our Company (excluding those who are also Directors)			
Wang Jie[(2)]	Chief Financial Officer	2,481	0.0004%
Jiang Hui[(2)]	Director of radiotherapy division	62,027	0.0103%
Other employees and consultants			
22 participants[(2)]		3,324,631	0.5542%
Total		4,143,384	0.6906%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

(2) The Restricted Shares issued to the participants were held by Group & Ray I Limited, Group & Ray II Limited and Group & Ray III Limited, which are wholly-owned by Group & Ray I Investment Limited, Group & Ray II Investment Limited and Group & Ray III Investment Limited, respectively, which are in turn owned by these participants.

2. Pre-IPO Share Award Scheme

The following is a summary of the principal terms of the Pre-IPO Share Award Scheme approved and adopted by our Company on July 17, 2019, which is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares.

(a) Purpose

The purpose of Pre-IPO Share Award Scheme is 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.

(b) Participants and eligibility

The participants of the Pre-IPO Share Award Scheme (the "**Scheme Participants**") are employees, directors or consultants of the Group (the "**Incentive Target**") who are selected and approved by the Administrator (as defined below) to receive Shares pursuant to the applicable awarded share subscription Agreement (the "**Awarded Share**") or awards of restricted shares unit (the "**RSU**", together with the Awarded Share, the "**Awards**").

Only Incentive Targets or trusts or companies established in connection with any employee incentive plan of the Company (including the Pre-IPO Share Award Scheme) for the benefit of an Incentive Target, or, with approval of the Administrator (as defined below), any special-purpose entity that is set up to hold the Awarded Share on behalf of the Incentive Targets, that shall be eligible for receiving the Awards.

(c) Term

The Pre-IPO Share Award Scheme became effective upon its adoption by the Board on July 17, 2019 and shall continue in effect for a term of 10 years or early terminated upon the Listing, subject to any amendments or early termination in the discretion of the Board.

(d) Administration

The Pre-IPO Share Award Scheme shall be administered by a sub-committee of the Board, including the Chief Executive Officer and other senior management of the Company delegated with the power and authority by the Board (the "**Administrator**").

Subject to the Pre-IPO Share Award Scheme and the approval of relevant authorities, the Administrator shall have the authority in its discretion (i) to select and approve the Scheme Participant; (ii) to determine the type or types of Awards to be granted to each Scheme Participant; (iii) to determine the number of Awards to be granted and the number of Shares to which an Award will be related; (iv) to approve the form(s) of agreement or other documents for use under the Pre-IPO Share Award Scheme, including the Awarded Share Subscription Agreement and the Grant Letter; (v) to determine the terms and conditions of any Award granted pursuant to Pre-IPO Share Award Scheme, including, but not limited to, the grant price, or the subscription price, the time or times when repurchase or redemption rights shall lapse, conditions for purchase or repurchase of such Shares, any restriction or limitation (or waiver thereof) regarding the Awards, based in each case on such factors as the Administrator, in its sole discretion, shall determine; (vi) to prescribe, amend, and rescind rules and regulations relating to the Scheme, including rules and regulations relating to sub-schemes established for the purpose of satisfying applicable laws of jurisdictions; (vii) to modify or amend the terms and conditions applicable to any Awards granted under the Pre-IPO Share Award Scheme, including, without limitation, the discretionary authority to waive any restrictions or conditions to which Awards may be subject; (viii) to construe and interpret the terms of the Pre-IPO Share Award Scheme; and (ix) to make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Pre-IPO Share Award Scheme.

(e) Maximum number of Shares

The maximum number of Shares that may be issued under the Pre-IPO Share Award Scheme in aggregate shall not exceed 23,018 Shares, representing 1.335% of the total issued share capital of the Company as of the date on which the Pre-IPO Share Award Scheme is adopted by the Board. The Shares underlying the RSUs to be granted pursuant to the Pre-IPO Share Award Scheme shall not exceed 6,578 Shares, representing 0.387% of the total issued share capital of the Company as of the date on which the the Pre-IPO Share Award Scheme is adopted by the Board, which shall be held by the trustee before vesting of the RSUs. As of the Latest Practicable Date, all of the Shares under the Pre-IPO Share Award Scheme including 16,440 Awarded Shares (which was subdivided into 164,400 Shares after a share subdivision on September 18, 2019) and RSUs in respect of 6,578 Shares (which was subdivided into 65,780 Shares after a share subdivision on September 18, 2019) have been issued or granted to three Scheme Participants. The Pre-IPO Share Award Scheme will terminate upon the Listing and no Shares or RSUs will be issued or granted under the Pre-IPO Share Award Scheme after the Listing.

(f) Awarded Shares

i. Grant of Awarded Shares

The Administrator, at any time and from time to time, may grant Awarded Shares to the Scheme Participants in its sole discretion, provided that the maximum number of Awarded Shares that may be issued under the Pre-IPO Share Award Scheme in aggregate shall not exceed 16,440 Shares.

ii. Issue and subscription of Awarded Shares

Each Scheme Participant shall enter into an awarded share subscription agreement (the "**Awarded Share Subscription Agreement**") with the Company for the issue and subscription of Awarded Share under the Pre-IPO Share Award Scheme. Such issue and subscription shall be subject to all applicable terms and conditions of the Pre-IPO Share Award Scheme and may be subject to any other terms and conditions that are not inconsistent with the Pre-IPO Share Award Scheme and that the Administrator deems appropriate.

A Scheme Participant shall execute and deliver the applicable Awarded Share Subscription Agreement for subscription and purchase of any Awarded Shares under the Pre-IPO Share Award Scheme as promptly as reasonably practicable after the date when an Incentive Target is selected and approved by the Administrator for the grant of Awards under the Pre-IPO Share Award Scheme. The subscription price shall be determined by the Administrator in its sole discretion.

iii. Restrictions on transfer of Awarded Shares

Any Awarded Shares issued and sold to a Scheme Participant pursuant to the Pre-IPO Share Award Scheme shall be subject to such rights of repurchase or redemption, rights of first refusal, market stand-offs, and other transfer restrictions and conditions as the Administrator may determine and set forth in the applicable Awarded Share Subscription Agreement.

(g) RSUs

i. Grant of RSUs

An offer to grant a RSU will be made to a Scheme Participant selected by the Administrator by a letter, in such form as the Administrator may determine (the "**Grant Letter**"). The Grant Letter will specify the name of Scheme Participant, the number of the RSUs to be granted, the grant consideration, the vesting criteria and other terms of the Award as the Administrator considers necessary.

Upon receipt of the Grant Letter, the Scheme Participant is required to confirm his/her acceptance of the Grant Letter by returning to the Company an acceptance letter duly executed by him/her within 5 business days after the Date of Selection. The grant consideration shall be determined by the Administrator in its sole discretion.

ii. Appointment of trustee

Our Company has appointed Mr. Ren Ai as the trustee (the "**Trustee**") to assist in the administration of the Shares underlying the RSUs pursuant to Pre-IPO Share Award Scheme and the instructions of the Administrator.

Our Company may allot and issue Shares to the Trustee which will be used to satisfy the Shares underlying the RSUs upon vesting. Before vesting, the Trustee shall hold the Shares underlying the RSUs and other cash and non-cash income derived therefrom exclusively for the Scheme Participants. When the RSUs vest in a Scheme Participant in accordance with Pre-IPO Share Award Scheme and the applicable Grant Letter, the Trustee shall transfer the relevant Shares underlying the vested RSUs to the Scheme Participant.

iii. Vesting of RSUs

RSUs under Pre-IPO Share Award Scheme shall vest on the date of the Listing on the condition that the Scheme Participant remains an employee, director or consultant on such date, subject to other conditions that may be imposed by the Administrator (if any).

The RSUs shall not vest under any of the following circumstances: (i) in the event of failure of any Scheme Participant to remain as an Incentive Target prior to date of vesting; and (ii) other circumstances as specified by the Board. In the event that the RSUs do not vest, the RSUs granted shall automatically lapse and all the Shares underlying the RSUs shall not vest on the relevant date of vesting.

iv. Restrictions on the RSUs

Any RSUs granted to a Scheme Participant pursuant to the Pre-IPO Share Award Scheme shall be subject to such rights of repurchase or redemption, rights of first refusal, market stand-offs, and other transfer restrictions and conditions as the Administrator may determine and set forth in the applicable Grant Letter.

v. Rights attached to RSUs

A Scheme Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the Scheme Participant. Further, a Scheme Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their vesting, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

vi. Assignment of RSUs

The RSU is personal to each Scheme Participant and is not assignable or transferable and Scheme Participants shall not have the right in any way to sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any RSU, except as otherwise pre-approved by the Board of the Company (or the Administrator).

(h) Adjustment of Shares

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may make such equitable adjustments, designated to protect the Scheme Participants' interests, to the number of Shares underlying the outstanding RSUs as it may deem appropriate at its absolute discretion.

(i) Amendment and termination

Save as provided in the Pre-IPO Share Award Scheme, the Board may at any time amend, alter, suspend, or terminate the Pre-IPO Share Award Scheme.

After the termination, no awards shall be granted by the Company under Pre-IPO Share Award Scheme but the provisions of Pre-IPO Share Award Scheme shall remain in full force and effect in all other respects.

(j) Outstanding Awarded Shares and RSUs granted

As of the Latest Practicable Date, an aggregate of 16,440 Awarded Shares (which was subdivided into 164,400 Shares after a share subdivision on September 18, 2019), representing approximately 0.954% of the total issued share capital of the Company have been issued to three Scheme Participants pursuant to the Pre-IPO Share Award Scheme. Immediately following completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the number of Awarded Shares issued pursuant to the Pre-IPO Share Award Scheme amounts to 4,576,849 Shares, representing 0.76% of the total issued share capital of our Company. Particulars of the Awarded Shares issued to our Director and senior management member are set forth below:

Name of participants	Position held with our Group	Number of Awarded Shares before share subdivision on September 18, 2019	Number of Awarded Shares	Approximate shareholding percentage[(1)]
Directors of our Company				
Ren Ai[(2)]	Executive Director, Senior vice president and assistant to the chairman of the Board	6,157	1,714,091	0.29%
Senior management of our Company (excluding those who are also Directors)				
Wang Jie[(3)]	Chief Financial Officer	8,620	2,399,784	0.40%
Other employees and consultants				
1 participant[(4)]		1,663	462,974	0.08%
Total		16,440	4,576,849	0.77%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

(2) The Awarded Shares were directly held by Spruce Wood Investment Holdings Limited, a company wholly-owned by the participant.

(3) The Awarded Shares were directly held by Star Array Investment Holdings Limited, a company wholly-owned by the participant.

(4) The Awarded Shares were directly held by Jolly Lake Investment Holdings Limited, a company wholly-owned by the participant.

As of the Latest Practicable Date, RSUs in respect of an aggregate of 6,578 Shares (which was subdivided into 65,780 Shares after a share subdivision on September 18, 2019), representing approximately 0.382% of the total issued share capital of the Company have been granted to three Scheme Participants pursuant to Pre-IPO Share Award Scheme. Immediately following completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the number of Shares underlying the RSUs granted pursuant to the Pre-IPO Share Award Scheme amounts to 1,831,296 Shares, representing 0.31% of the total issued share capital of our Company. Particulars of the RSUs granted our Director and senior management member are set forth below:

Name of participants	**Position held with our Group**	**Number of Shares underlying the RSUs granted before share subdivision on September 18, 2019**	**Number of Shares underlying the RSUs granted**	**Approximate shareholding percentage[(1)]**
Directors of our Company				
Ren Ai	Executive Director, Senior vice president and assistant to the chairman of the Board	2,464	685,909	0.11%

Name of participants	Position held with our Group	Number of Shares underlying the RSUs granted before share subdivision on September 18, 2019	Number of Shares underlying the RSUs granted	Approximate shareholding percentage[(1)]
Senior management of our Company (excluding those who are also Directors)				
Wang Jie	Chief Financial Officer	3,449	960,217	0.16%
Other employees and consultants				
1 participant		665	185,170	0.03%
Total		6,578	1,831,296	0.30%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

The maximum number of Shares underlying the RSUs is 65,780 Shares, all of which have been issued and held by Olive Stone Holdings Limited, representing approximately 0.382% of the issued share capital of our Company as at the Latest Practicable Date. Immediately following the completion of the Capitalization Issue and the Global Offering, the aggregate number of Shares underlying the RSUs will be 1,831,296 Shares, all of which will be held by Olive Stone Holdings Limited, representing approximately 0.31% of the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option. Therefore, no grant of such RSUs will cause any dilution of the shareholding of our Shareholders immediately upon the Listing.

The RSUs granted under Pre-IPO Share Award Scheme shall vest on the date of the Listing on the condition that the Scheme Participant remains an employee, director or consultant on such date and other conditions specified in the Grant Letter. When the RSUs vest in a Scheme Participant in accordance with Pre-IPO Share Award Scheme and the applicable Grant Letter, Olive Stone Holdings Limited will transfer the relevant Shares underlying the vested RSUs to the Scheme Participant.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Indemnities

Mr. Zhu has entered into a deed of indemnity in favor of our Company (for itself and as trustee for each of our subsidiaries) to give indemnities in connection with, among other matters, any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by our Group relating to the property-related matters described in "Business – Properties – Owned Properties."

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

4. Joint Sponsors and Joint Sponsors' fees

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Joint Sponsors by our Company is US$1 million.

5. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US$3,230 and were paid by us.

6. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Morgan Stanley Asia Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO
Haitong International Capital Limited	Licensed corporation to conduct Type 6 (advising on corporate finance regulated activity under the SFO)

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Tian Yuan Law Firm	PRC legal advisors to our Company
Harney Westwood & Riegels	Cayman Islands legal advisors to our Company
Asia-Pacific Consulting and Appraisal Limited	Property valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

9. Consents of experts

Each of Morgan Stanley Asia Limited, Haitong International Capital Limited, PricewaterhouseCoopers, Tian Yuan Law Firm, Harney Westwood & Riegels, Asia-Pacific Consulting and Appraisal Limited and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

(a) save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;

(c) save as disclosed in this prospectus, there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(d) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(f) our principal register of members will be maintained by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by Tricor Investor Services Limited. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong;

(g) all necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(h) no company within our Group is listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(i) there is no arrangement under which future dividends are waived or agreed to be waived.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Statutory and General Information – Other Information – Consents of experts" in Appendix IV; and

(c) a copy of each of the material contracts referred to in "Statutory and General Information – Further Information about Our Business – Summary of material contracts" in Appendix IV.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of William Ji & Co. LLP (in Association with Tian Yuan Law Firm Hong Kong Office) at Suite 702, 7/F, Two Chinachem Central, 26 Des Voeux Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the text of which is set out in "Appendix I – Accountant's Report" to this prospectus;

(c) the audited consolidated financial statements of the Group for each of the three years ended December 31, 2017, 2018 and 2019;

(d) the report on unaudited pro forma financial information from PricewaterhouseCoopers, Certified Public Accountants, the text of which is set out in "Appendix II – Unaudited Pro Forma Financial Information" to this prospectus;

(e) the rental opinion letter prepared by Asia-Pacific Consulting and Appraisal Limited regarding the fair rental of various properties leased from connected persons of the Company;

(f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisors as to Cayman Islands laws, summarizing certain aspects of the Cayman Islands Companies Law as referred to in "Appendix III – Summary of the Constitution of Our Company and the Cayman Companies Law" in this prospectus;

(g) the Cayman Companies Law;

(h) the material contracts referred to in the section headed "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 1. Summary of the material contracts" in this prospectus;

(i) the service contracts and letters of appointment with Directors, referred to in the section headed "Appendix IV – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders" in this prospectus;

(j) the industry report prepared by Frost & Sullivan, our industry consultant;

(k) the written consents referred to in the section headed "Appendix IV – Statutory and General Information – E. Other Information – 9. Consents of experts" in this prospectus; and

(l) the legal opinion issued by Tian Yuan Law Firm, our legal advisor as to PRC laws, in respect of certain aspects of our Group and our property interests in the PRC.

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