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

2021

Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yiwen (朱義文)
(Chairman and Chief Executive Officer)(Note)
Ms. Cheng Huanhuan (程歡歡)
Mr. Ren Ai (任愛)
Mr. Zhang Wenshan (張文山)
Ms. Jiang Hui (姜蕙)

Non-executive Directors

Mr. Fang Min (方敏)
(resigned with effect from October 13, 2021)
Mr. Cao Yanling (曹彥凌)
(resigned with effect from March 30, 2021)

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Mr. Liu Yanqun
Mr. Chen Penghui

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin *(appointed on January 25, 2021)*
Ms. Yeung Ching Man *(resigned on January 25, 2021)*

AUTHORISED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin *(appointed on January 25, 2021)*
Ms. Ching Suet Fan (alternative to Mr. Lau Kwok Yin)
(appointed on March 30, 2022)
Ms. Yeung Ching Man *(resigned on January 25, 2021)*

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, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

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

Note: Mr. Zhu Yiwen was appointed as the Chairman of the Board on July 6, 2021, redesignated as an executive Director and was appointed as the Chief Executive Officer on August 23, 2021.

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISER

Fangda Partners
26/F One Exchange Square
8 Connaught Place, Central
Hong Kong

COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited
28/F–29/F, 100QRC
100 Queen's Road Central
Central
Hong Kong

STOCK CODE

6078

COMPANY WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Audited Year ended December 31,				
	2021	2020	2019	2018	2017
	(RMB'000, except percentages)				
Operating results					
Revenue	**2,315,349**	1,401,764	1,085,826	766,142	596,480
Gross profit	**757,499**	480,043	330,120	238,735	169,308
Operating profit	**593,775**	300,284	174,207	105,542	48,387
Profit/(losses) before income tax	**572,845**	252,612	79,320	27,263	(24,739)
Net profit/(losses)	**453,203**	177,061	39,767	2,418	(46,510)
Adjusted net profit (1)	**450,606**	316,082	171,542	93,386	48,539
Basic earnings/(losses) per share (in RMB)	**0.71**	0.38	0.14	0.01	(0.17)
Profitability					
Gross profit margin	**32.7%**	34.2%	30.4%	31.2%	28.4%
Net profit/(loss) margin	**19.6%**	12.6%	3.7%	0.3%	(7.8)%
Adjusted net profit margin (2)	**19.5%**	22.5%	15.8%	12.2%	8.1%

Notes:

(1) Adjustments to net profit for the year ended December 31, 2021 include: (i) share-based compensation expenses of RMB6,759 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB6,093 thousand; and (iii) gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital of RMB(15,449) thousand. Adjustments to the net profit for the year ended December 31, 2020 include:(i) impact of the deferral of the redemption date of redeemable Shares of RMB57,852 thousand; (ii) interest expenses of redeemable Shares of RMB48,029 thousand; (iii) Listing expenses of RMB29,068 thousand; and (iv) share-based compensation expenses of RMB4,072 thousand.

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

	Audited As of December 31,				
	2021	2020	2019	2018	2017
	(RMB'000)				
Financial position					
Total current assets	**1,720,772**	2,922,341	668,530	513,104	562,118
Total non-current assets	**4,966,166**	1,778,964	1,544,659	1,469,386	1,221,474
Total current liabilities	**854,607**	280,952	1,714,181	415,446	393,004
Total non-current liabilities	**1,354,619**	78,976	701,614	1,755,288	1,693,451
Total equity/(deficits)	**4,477,712**	4,341,377	(202,606)	(188,244)	(302,863)

Corporate Profile

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

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

We generate revenue primarily from operating hospitals focusing on oncology and operating radiotherapy centers in cooperation with third party hospitals.

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

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

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

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Hygeia Healthcare Holdings Co., Limited, I would like to present you with the annual report of the Group for the year ended December 31, 2021.

COVID-19 hit the world hard in 2021, the global capital market experienced high volatility. We gave special thanks to all who fought hard in 2021, the angels in white who dedicated themselves to the front line and all shareholders who stand by with Hygeia during these hard times.

2021 is the first whole year after the listing of Hygeia. Every single member of Hygeia adheres to our philosophy and strives to practice our mission of making healthcare services more accessible and affordable (讓醫療更溫暖). Our patients have always been our first priority, heal the wounds and ease the pain is our daily practice. Hygeia Healthcare achieved satisfying growth in 2021, our revenue reached RMB2,315.3 million, representing a year-on-year increase of 65.2%. Our net profit reached RMB453.2 million, representing a year-on-year increase of 155.9%. Patient visits reached nearly 2.3 million, representing a year-on-year increase of 123.3%. Oncology business remains our core business, and oncology-related revenue for the year reached RMB1,100.1 million, representing a year-on-year increase of 65.3%. In 2021, Hygeia was included in FTSE Russell and MSCI China Index, demonstrating the attention and recognition from the domestic and international capital markets. Hygeia Healthcare ranked first among the nineth "Top 100 Hong Kong Listed Companies Awards – Top 30 Newly Listed Companies".

Leverage on the outstanding track record, Hygeia is determined to achieve even more. In 2021, Hygeia rode on its well development and further expanded the Group's business scale, operation efficiency and brand influence. We have successfully completed the acquisitions of two large-scaled hospitals, namely Suzhou Yongding Hospital and Hezhou Guangji Hospital. The team cultures were efficiently consolidated, resulting in a boost in operation efficiency. Liaocheng Hygeia Hospital received practice license for medical institutions as for-profit hospitals, Dezhou Hygeia Hospital Project obtained Construction Work Planning Permit, Wuxi Hygeia Hospital acquired the land parcel through bidding, and Longyan Hygeia Hospital and Changshu Hygeia Hospital both entered into investment intention agreements. Chongqing Hygeia Hospital Phase II project has completed the construction of main structure, Shanxian Hygeia Hospital Phase II project has completed the construction of oncology rehabilitation center, and Chengwu Hygeia Hospital Phase II project has obtained the Construction Work Planning Permit. Hygeia will adhere to its "dual driven" development strategy of organic growth and external merger and acquisition. We will continue to expand our oncology healthcare service network.

The aging population is an inevitable challenge we have to face. China has been and will be tackling the aging issue in the near future. According to the Seventh National Population Census, population of age 60 and above is 264 million, representing 18.70% of the population. Among which 191 million are of age 65 and above, representing 13.50% of the population. As compared to the Sixth National Population Census in 2010, population of age 60 and above increased by 5.44 percentage points, whereas population of age 65 and above increased by 4.63 percentage points. Given the increasing trend of aging and oncology incidences, Hygeia will continue to focus on its oncology business, enhance diagnostic abilities and academic level to meet the increasing demands of oncology patients in China.

In the past decade, the Chinese government implemented various favorable policies in respect of private hospitals to encourage the development of professional hospital management group. Conforming to such policies, Hygeia focuses on developing business in non-first-tier cities, with an aim to resolve the supply and demand conflict of local healthcare resources and provide quality and efficient medical services to local citizens. We actively embrace the reform on medical insurance payment, enhance quality and efficiency of our healthcare services, practice the patients-oriented philosophy, safeguard the medical insurance fund and promote steady development of our hospitals.

Our success is attributable to our staffs. In the past year, core management and all Hygiea staffs demonstrated highly professional qualities and superb dedication. Under the special arrangements of the Hygeia Healthcare Teaching and Researching Institute and the hospital operation assistant system, new generation of healthcare management of the Group demonstrated active growth. Our hospitals adopt the dual approach of talents cultivation and acquisitions. We attract qualifying talents with similar visions and at the same time implement various measures to train up potential staffs within the Group. In November 2021, the Group adopted its first share option scheme upon Listing and granted share options of the Company to over 560 outstanding staffs. The incentive plan promoted the sense of belonging and sense of mission among our staffs. Human resources and an appropriate promotion scheme will serve as the foundation and motivation for the long-term development of Hygeia Healthcare.

Fulfilling social responsibilities and corporate commitment has always been a core value of Hygeia. During the COVID-19 pandemic, all hospitals among the Group actively cooperate with the government and execute strategic plans of the competent departments. We participated in the pandemic prevention and control of local and surrounding areas. Every life matters. We place emphasis on both pandemic prevention and cure, with an aim to safeguard all patients. We continue to provide free consultations in local communities and rural areas, promote healthcare awareness and contribute to the oncology sector.

The past is just the beginning. Hygeia will stay humble, respect our patients and investors, promote the ideology of craftsmanship, pursue excellency, optimize hospital standardization and establish modular management system. Healthcare business is an on-going business with great responsibilities. We persist to take up challenges and adhere to our values. Riding on the long-term growth of the industry, we are determined to create the Hygiea legend. Looking forward to 2022, our dedication and initiatives remain unchanged.

Being young is one of the greatest assets. Hygeia is currently at its youth and the best Hygeia is yet to come.

I would like to express my sincere gratitude to all shareholders for standing by with Hygeia.

Zhu Yiwen
Chairman

March 30, 2022

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended December 31, 2021, the Group continued to adhere to the oncology-focused development strategy in 2021 and practice its corporate vision of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)". The Group was committed to continuously expanding the breadth and depth of its medical service network through operating hospitals focusing on oncology and operating radiotherapy centers in cooperation with third party hospitals. In 2021, the Group was included in FTSE Russell Indices and MSCI China All Shares Index, and received high levels of attention and recognition from both domestic and international markets. As of December 31, 2021, the Group managed and operated 12 oncology-focused hospitals and provided services to 22 hospital partners for their radiotherapy centers.

The Group has always put patient satisfaction first through fulfilling the unmet needs of oncology patients in China by closely monitoring the quality of our medical services, as well as raising our service standards. As the influence of our brand continued to spread, the number of patient visits of the Group has increased, which allowed the Group to maintain strong growth in revenue. Through continuously refining its management measures, the Group has achieved significant improvement in management efficiency. For the year ended December 31, 2021, the revenue of the Group was RMB2,315.3 million, representing an increase of 65.2% as compared with last year. The following table sets forth a breakdown of revenue of the Group by service offerings for the years indicated:

	Year ended December 31,			
	2021		2020	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Hospital business				
– Outpatient healthcare services	**741,352**	**32.0**	373,137	26.6
– Inpatient healthcare services	**1,408,838**	**60.9**	870,088	62.1
Sub-total	**2,150,190**	**92.9**	1,243,225	88.7
Third-party radiotherapy business	**158,425**	**6.8**	150,815	10.7
Other business	**6,734**	**0.3**	7,724	0.6
Total	**2,315,349**	**100.0**	1,401,764	100.0

Hospital Business

For the year ended December 31, 2021, the Group's revenue from hospital business was RMB2,150.2 million, representing an increase of 73.0% over last year, of which revenue from outpatient healthcare services was RMB741.4 million, representing an increase of 98.7% over last year, and revenue from inpatient healthcare services was RMB1,408.8 million, representing an increase of 61.9% over last year.

The brand influence of the Group's self-owned hospitals has gradually increased, resulting in a continuous improvement in both patient stickiness and patient visits. For the year ended December 31, 2021, the total number of patient visits was nearly 2.3 million. In addition, the Group has actively expanded diagnosis and treatment items to enrich treatment methods and to boost its management efficiency, resulting in a continuous increase in output per hospital bed. For the year ended December 31, 2021, output per bed from hospital business was approximately RMB575.7 thousand, representing an increase of 24.1% over last year. The Group has completed 41,745 cases of oncology or oncology-related surgery this year, representing an increase of 141.4% over last year.

As of December 31, 2021, the Group operated or managed a network of 12 oncology-focused hospitals, covering 9 cities in 7 provinces in China.

Third-party Radiotherapy Business

The Group fully leverages on its strengths of tumor radiotherapy resources to actively expand its radiotherapy center network across China. For the year ended December 31, 2021, the Group's revenue from third-party radiotherapy business was RMB158.4 million, representing an increase of 5.0% over last year. Kaiyuan Jiehua Hospital, where Kaiyuan radiotherapy center is located, became one of the self-owned hospitals of the Group and its revenue has been incorporated into the Group's hospital business after the reform of the not-for-profit hospital. Excluding the impact of the aforesaid, the Group's revenue from the third-party radiotherapy business increased by 12.7% over last year. The Group provides Radiotherapy Center Services to 22 hospital partners (including the hospital in which the Group holds organizer's interest) in 12 provinces in China.

As of December 31, 2021, the Group has signed radiotherapy center cooperation agreements with 27 third-party hospital partners located in 14 provinces in China. Once those radiotherapy centers under the newly signed agreements commence operation, the number of radiotherapy centers of the Group will increase to 49, and the Group will further increase the Group's revenue from third-party radiotherapy business and expand the Group's radiotherapy center network.

Oncology-related Business

The Group regards the development of the oncology business as its core strategy. The Group is committed to providing oncology patients with one-stop comprehensive treatment services. The oncology-related services of the Group comprise: (i) provision of multi-disciplinary oncology healthcare services in the Group's self-owned hospitals, including services covering the whole life cycle of oncology patients such as tumor screening and genetic diagnosis, radiotherapy, surgery, chemotherapy, immunotherapy, targeted therapy, oncology rehabilitation, nutrition and hospice care; and (ii) services under the third-party radiotherapy business, including providing radiotherapy center consulting and technical services, licensing of the proprietary SRT equipment and provision of maintenance and technical support services in relation to the proprietary SRT equipment.

Revenue from the Group's oncology-related business increased by 65.3% from RMB665.4 million for the year ended December 31, 2020 to RMB1,100.1 million for the year ended December 31, 2021, and accounted for 47.5% of the consolidated revenue of the Group.

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

	Year ended December 31,			
	2021		2020	
	(RMB'000)	*% of total revenue*	*(RMB'000)*	*% of total revenue*
Revenue from oncology business	**1,100,091**	**47.5**	665,359	47.5
Revenue from non-oncology business	**1,215,258**	**52.5**	736,405	52.5
Total	**2,315,349**	**100.0**	1,401,764	100.0

Gross Profit

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

	Year ended December 31,	
	2021 *(RMB'000)*	2020 *(RMB'000)*
Hospital business	**661,736**	378,300
Third-party radiotherapy business	**93,522**	96,083
Other business	**2,241**	5,660
Total	**757,499**	480,043

For the year ended December 31, 2021, the gross profit of hospital business was RMB661.7 million, representing an increase of 74.9% over last year, and the gross profit of the Group was RMB757.5 million, representing an increase of 57.8% over last year.

Business Development

1. **Continue maintaining focus in oncology business and further enhance the academic standards and diagnostic capabilities of the Group's in-network hospitals**

Expanding oncology-related technical methods

The Group achieved a series of technological innovations in terms of oncology treatment. Our newly developed technologies include intracranial aneurysm interventional procedure, intracranial giant aneurysm clipping surgery, transsphenoidal minimally invasive surgery for pituitary tumors, lower limb venous thrombosis stent placement surgery, stellate ganglion block, CT-guided pulmonary nodules microwave ablation, collagenase nucleolysis, fiberoptic bronchoscopy, tracheal tumor removal and reconstruction surgery, and preservation of left colic artery in laparoscopic radical operation for rectal cancer. The innovation in oncology-related technologies has improved our ability to treat critically ill oncology patients and strengthened our brand influence.

In addition, the Group's in-network hospitals have invested extensively in minimally invasive technology for oncology diagnosis and treatment. Through introducing advanced equipment such as Olympus CV-290 electronic gastrointestinal endoscopy system and OTV-S300 endoscopy system, we are able to implement various types of laparoscopic diagnosis and treatment as well as intra-artery interventional technology, such as laparoscopic hepatic hemangioma removal, common hepatic duct lithotomy, splenectomy, kidney cancer removal, thoracoscopic lung cancer radical treatment, endoscopic maxillectomy for maxillary sinus tumors and microendoscopic discectomy for lumbar disc herniation. The application of these minimally invasive advanced technologies not only relieves pain for oncology patients and reduces hospitalization time, but also increases hospital bed turnover rate, improves efficiency in the utilization of medical resources, and enhances our competitiveness in oncology diagnosis and treatment.

Expanding the breadth and depth in oncology screening

Early oncology screening is essential in preventing and treating cancers, and it has become increasingly popular among the general public. Through initiating public welfare activities such as breast and cervical cancer screening (兩癌篩查) and five types of cancers screening, and setting up a screening base for gastrointestinal cancer, we assist in the early discovery, diagnosis and treatment for oncology patients. We also invested in several high-end imaging equipment such as Philips IQon Spectral CT scanner and Ingenia 3.0T full digital MRI system, to accurately discover small lesions at an early stage, providing strong imaging assurance for early oncology screening.

Raising academic standard in oncology specialties

The Group has made numerous achievements from its continuous scientific research and academic study in oncology. Thus far, our in-network hospitals and/or medical professionals have published 163 articles in oncology specialties/oncology related disciplines, of which 98 were published in international and national journals, 57 were published in provincial journals. We also received 5 utility model patents awarded by the National Intellectual Property Administration.

Chongqing Hygeia Hospital was included in the list of Chongqing key laboratories newly accredited by Chongqing Science and Technology Bureau. The accreditation can further improve the overall academic standard of Chongqing Hygeia Hospital and the Group. Chongqing Hygeia Hospital and the Bioengineering College of Chongqing University jointly built a teaching and practice base for biomedical engineering, which combines clinics with cutting-edge technologies, increases conversion of scientific research achievements and provides hospitals with medical professionals.

Suzhou Yongding Hospital established 3 multidisciplinary diagnosis and treatment centers (oncology MDT, small pulmonary nodules MDT and neurological disorders MDT) and two bases (gastrointestinal cancer screening base and Suzhou Medical Association oncology MDT Wujiang base) and Hezhou Guangji Hospital passed the assessments for two municipal key disciplines (intensive care unit and general surgery), satisfying oncology patients' demand for higher quality and better service in medical care.

Strengthening the recruitment and training for oncology professionals

The Group is strengthening its efforts in the recruitment and training for oncology professionals. As of December 31, 2021, the Group had 4,295 medical professionals in total, representing an increase of 1,735 compared to December 31, 2020. Among the medical professionals, 533 were chief physicians or associate chief physicians, representing an increase of 234 from December 31, 2020. During the Reporting Period, 172 physicians were promoted to a higher professional grade. 2 experts from Chongqing Hygeia Hospital were shortlisted as medical leadership candidates in Chongqing municipal area and surrounding counties, and Chongqing Hygeia Hospital was the only private hospital in Chongqing municipal area that was shortlisted.

In the aspect of recruiting external professionals, the Group has newly established several expert offices to aid the development in core discipline-oncology. Longyan Boai Hospital has newly set up expert offices for oncology, thyroid and cardio-thoracic surgeries and Suzhou Canglang Hospital has newly set up three expert offices for oncology, gastroenterology and hematology. The expert offices enhance the Group's brand value and allow us to better satisfy the medical needs of oncology patients in surrounding area.

Hygeia Healthcare Teaching and Researching Institute and the Group's business divisions held 119 training sessions in the Reporting Period, which cultivates high-quality and high-caliber key personnel for the Group and continuously provides outstanding medical professionals and multifaceted talents to its hospitals, thereby promoting the development of healthcare services in the Group's in-network hospitals to a higher level.

On November 12, 2021, the Group granted 7,883,000 options to 567 Eligible Persons under the share option scheme approved and adopted by the extraordinary general meeting on October 15, 2021. The options will be vested in 5 years and a quota of 1.725% of the issued share capital has been reserved for the next stage of talent acquisition and incentives. Through continuous improvement in the incentive mechanism, the Group aims to further enhance key personnel's responsibility and commitment in achieving sustainable development for the Group and motivating the healthy and rapid growth of the Group.

Positive development in other oncology-related disciplines

During the Reporting Period, Shanxian Hygeia Hospital was licensed as a national chest pain center and a provincial stroke center, marking an important milestone made by Shanxian Hygeia Hospital in stroke prevention and control and comprehensive treatment for acute chest pain.

The Group continued to promote Chinese medicine culture, integrating Chinese and western medicine to provide full life cycle services that comprise nourishing, prevention, treatment and rehabilitation for oncology patients.

The Group is also promoting the establishment of internet hospitals to improve the diagnostic process and enhance patients' medical experience. Suzhou Yongding Hospital and Chongqing Hygeia Hospital successively obtained internet hospital licenses. With the implementation of internet hospitals, medical resources will be used in a more effective way to serve more patients, which provide all-around healthcare management services to oncology patients.

The Group will develop new technical methods with a focus in oncology, enhance its academic standards, and strengthen talent acquisition and training. During the Reporting Period, the Group recorded a considerable rise in Level 3 or 4 surgery cases and initial consultation rate, further boosting our brand influence.

2. Expand the Group's healthcare service network through endogenous growth

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

Progress of Phase II projects for existing hospitals

Chongqing Hygeia Hospital Phase II project has completed the construction of the main structure in December 2021. Internal renovation work is underway, and is expected to be completed by the end of 2022. The Phase II project has a GFA of approximately 72,000 square meters and is designed to accommodate 1,000 beds. After Phase II project commences operation, the total number of beds in Chongqing Hygeia Hospital will increase to 1,500.

Shanxian Hygeia Hospital Phase II project has completed the construction of oncology rehabilitation center in December 2021. Apart from the oncology rehabilitation center, the Phase II project also includes a ward complex and hyperbaric oxygen chamber. The total GFA for Phase II is approximately 54,000 square meters and is designed to accommodate 500 beds. It is expected to be completed by the end of 2022.

Chengwu Hygeia Hospital Phase II project has completed the applications for the land plot Real Estate Certificate, the Construction Land Use Planning Permit and the Construction Work Planning Permit by the end of December 2021. It is expected to accommodate 350 beds, and is expected to be completed, pass acceptance inspection and be put into operation in 2023.

Progress of in-progress hospitals

Liaocheng Hygeia Hospital received practice license for medical institutions as for-profit hospitals on December 21, 2021. Liaocheng Hygeia Hospital has an area of 112 mu and Phase I project has a total GFA of approximately 83,000 square meters, which can accommodate 800 beds. As the fourth self-owned hospital of the Group, Liaocheng Hygeia Hospital will adhere to the mission of "making healthcare services more accessible and affordable and making life healthier", safeguarding the health of the citizens of Liaocheng and surrounding areas.

Dezhou Hygeia Hospital has obtained the Construction Work Planning Permit. Dezhou Hygeia Hospital is planned to be a Class III hospital, and Phase I project has a total GFA of approximately 51,000 square meters and designed to accommodate 500 beds. It is expected to commence operation in 2023. Upon its completion, Dezhou Hygeia Hospital will further strengthen the Group's market share and regional advantage in Shandong province, and lay the foundation for building a three-tier hospital network in Shandong province.

Wuxi Hygeia Hospital has acquired the land parcel through bidding. After the ground-breaking ceremony in November 2021, construction for the hospital was officially underway. Wuxi Hygeia Hospital is designed to be a Class III general hospital with oncology specialties and will accommodate 800 to 1,000 beds. It is expected to commence operation by the end of 2023. Leveraging on its extensive experience in the investment, construction, operations and management of hospitals and its resources in multi-disciplinary oncology diagnosis and treatment, the Group will meet the medical needs of Wuxi city and its surrounding areas, as well as enhance our influence in the Yangtze River Delta region.

Newly signed investment intention agreements on hospital construction

In April 2021, the Group signed an investment intention agreement on hospital construction with the relevant authorities of Longyan Economic and Technological Development Zone. Longyan Hygeia Hospital is planned to be a Class III general hospital with oncology specialties. It will have a total GFA of approximately 80,000–100,000 square meters and will accommodate 800 to 1,000 beds. Construction is expected to be completed in 2024, upon which, Longyan Hygeia Hospital will increase the supply of medical services to Longyan Economic and Technological Development Zone and Longyan as a whole to meet the growing needs of local oncology patients. Longyan Hygeia Hospital will cooperate with Longyan Boai Hospital to improve the brand influence and market share of Hygeia Healthcare Group in oncology services in Longyan City and Fujian Province.

In May 2021, the Group signed an investment intention agreement on hospital construction with the relevant authorities of Changshu High-tech Zone, namely Changshu Hygeia Hospital. It is planned to be a Class III general hospital with oncology specialties, have a total GFA of approximately 80,000–120,000 square meters and accommodate 800–1,200 beds. Construction is expected to be completed in 2024. Through this project, the Group strives to provide better medical services to residents of Changshu and its surrounding cities. The project also lays the foundation for the Group to build a three-tier hospital network in the Yangtze River Delta region.

Expansion of radiotherapy center

During the Reporting Period, the number of third-party radiotherapy centers increased by 5. The Group will continue to expand its network of radiotherapy centers and increase the scale of radiotherapy business. Hygeia will strive to meet the growing needs of China's oncology medical service market and establish its oncology business presence nationwide.

Other endogenous growth

On June 24, 2021 and December 21, 2021, the Group respectively announced its acquisition of 17.62% and 0.82% equity interest from Shanxian Hygeia Hospital, upon which Shanxian Hygeia Hospital Co., Ltd. became a wholly-owned subsidiary of the Group.

On April 16, 2021, the Group entered into the joint venture agreement in respect of the formation of a joint venture in relation to the reform of the not-for-profit hospital, Kaiyuan Jiehua Hospital. Officially incorporated on May 31, 2021, Kaiyuan Jiehua Hospital Co., Ltd. holds a valid practice license for medical institutions as for-profit hospitals and has commenced operating as a for-profit hospital.

3. Expand the Group's medical service network and business scale through acquisitions

On April 25, 2021, the Group announced the acquisition of the entire equity interests in Etern Group Ltd. which indirectly holds 98% equity interests in Suzhou Yongding Hospital. The deal was completed on April 28, 2021. Suzhou Yongding Hospital is located in the core area of Yangtze River Delta region which has a developed economy and a continuous population inflow. As the supply of oncology medical services in Suzhou, especially radiotherapy, is relatively insufficient, this acquisition is in line with the development strategy of the Group. Suzhou Yongding Hospital is a Class II general hospital with long operational experience and certain oncological basis, and has considerable influence in Suzhou. With sufficient space to accommodate more than 1,000 beds, the hospital has the potential to be upgraded to a Class III hospital in the future and develop multidisciplinary tumor diagnosis and treatment services such as radiotherapy services. After the acquisition, the Group effectively integrated the resources of Suzhou Canglang Hospital and Suzhou Yongding Hospital to strengthen the development of oncology discipline in Suzhou. Currently, Suzhou Yongding Hospital has expanded into three oncology-related departments. The acquisition will increase the market share of the Group's medical services in the Yangtze River Delta region and extend its market influence to surrounding areas, thus laying a solid foundation for the Group to build a three-tier diagnosis and treatment network in the Yangtze River Delta region.

On May 26, 2021, the Group announced the acquisition of 99% equity interest in Hezhou Guangji Hospital in Guangxi Zhuang Autonomous Region. The deal was completed in July 7, 2021. Hezhou Guangji Hospital is located at the junction of Guangxi Zhuang Autonomous Region, Guangdong Province and Hunan Province, which could cover a large population in the surrounding area. There is a large demand for oncology treatment, especially radiotherapy, in Guangdong Province and Guangxi Zhuang Autonomous Region. These two regions have high incidences of nasopharyngeal carcinoma, and radiotherapy is the main treatment for it. Meanwhile, oncology treatment services, especially radiotherapy, are relatively insufficient in Hezhou and its surrounding areas and thus establishing presence there is in line with the Group's development strategy. Hezhou Guangji Hospital is a private for-profit Class III general hospital. After 70 years of development, it has built up a profound culture and great market influence, and cultivated an experienced and high-caliber professional medical team. Hezhou Guangji Hospital has sufficient land resources for further consolidation and utilization. After the acquisition, the Group will strengthen the oncology-related business of Hezhou Guangji Hospital and endeavor to build Hezhou Guangji Hospital into a Class III Grade A general hospital with oncology specialties, so as to meet the growing needs of local oncology patients. The Group will also tap the potential of Hezhou Guangji Hospital to further develop business in Guangxi Zhuang Autonomous Region and South China region in general.

After joining the Group, Suzhou Yongding Hospital and Hezhou Guangji Hospital leveraged on the advantages of the Group's extensive experience and resource in hospital management, oncology-related discipline development and supply chain management. Through remuneration and performance system reform, revenue structure adjustment and the implementation of medical resource, they firmly followed the mission of "making healthcare services more accessible and affordable and making life healthier", strengthened diagnosis and treatment capabilities, enhanced operational efficiency and improved employees' sense of accomplishment and patient satisfaction.

Constantly improve healthcare quality control system and comply with various reforms to increase the standard of healthcare services

Healthcare quality control is the focus of the Group. Through strengthening training for medical professionals and regulating behavior in diagnosis and treatment, we enhanced the standard in medical services and improved the healthcare quality control system. Patient satisfaction is top priority for the Group. We conduct quarterly review on the patient satisfaction of our in-network hospitals, listen to feedback from patients and provide personalized service to them. The Group established a quality control committee which consists of medical committee, nursing committee, nosocomial infection control committee, medical record committee and complaint and dispute handling group. The comprehensive quality control and standardized services support the operation of each hospital of the Group. The Group actively implements the core system of medical quality and safety, carries out whole-process quality control and supervision for clinical departments, and gives feedback, notice, and assessment for problems identified in a timely manner.

In order to comply with the reform of medical insurance payment method, the Group established a DRG/DIP special committee comprising of a special research committee. The committee will study and comply with the policy documents to ensure the hospitals' compliance with the guidance of competent authorities.

Fulfill social responsibility and gain social recognition

1. Fight against the coronavirus pandemic

All in-network hospitals of the Group have fully implemented the strategic decisions of the Party and the government, with people-oriented principles in mind, and putting people's lives as top priority. We set up outpatient service for fever patients, 24-hour nucleic acid testing stations and provided vaccination service, actively shouldering the responsibility for pandemic control and treatment in each hospital location. During the Reporting Period, the Group's in-network hospitals have administered 413,901 doses of coronavirus vaccine and performed 1,043,096 nucleic acid tests.

In July 2021, there were recurring outbreaks in Nanjing and Yangzhou, Jiangsu. Suzhou Yongding Hospital sent out medical teams to the frontlines in Nanjing and Yangzhou to help with nucleic acid sampling and testing.

In September 2021, an outbreak occurred in Putian, Fujian. Longyan Boai Hospital rapidly organized a team, and completed personnel assembly and preparation of testing supplies and protective equipment in two hours. The team went urgently to Putian to support the pandemic control there.

In February 2022, Hezhou Guangji Hospital sent out a team of 61 people in 2 groups to help combat the pandemic in Baise, Guangxi Zhuang Autonomous Region. In the same month, Kaiyuan Jiehua Hospital also sent out a medical team to support the pandemic control in Hekou County, Yunnan.

We take pride in providing service in times of need, as it exemplifies people's trust in us, and our willingness to shoulder more responsibilities.

In addition, the in-network hospitals of the Group also take part in the normalized prevention and control of the pandemic. We continue to assign medical staff to help with vaccination in local health centers, community healthcare service centers and schools, as well as supporting pandemic control in key transportation hubs such as local train stations and highway entrances.

In February 2022, in order to perform nucleic acid testing for all Suzhou citizens, Suzhou Yongding Hospital and Suzhou Canglang Hospital complied with government measures and deployed several batches of over 2,000 people to assist with nucleic acid testing. Our active involvement in pandemic response efforts safeguarded people's health and showcased Hygeia's commitment and spirits.

2. Continue carrying out healthcare-related public welfare activities to make healthcare services more accessible and affordable

In order to realize the corporate vision of "making healthcare services more accessible and affordable and making life healthier", the Group attached great importance to public welfare initiatives. During the Reporting Period, in an effort to help the elderly and the disabled as well as to relieve orphans and the poor, the Group's in-network hospitals provided a total of 1,136 free consultations, held 236 public lectures on various topics, regularly organized employees to participate in blood donation events, which garnered significant recognition and approval from governments at all levels and the public.

Hezhou Guangji Hospital Party Committee and Hezhou Guangji Hospital were granted the honorary titles of "National Advanced Grassroots Party Organization (全國先進基層黨組織)" and "Worker Pioneer (工人先鋒號)" by the CPC Central Committee and the All-China Federation of Trade Unions, respectively.

Chongqing Hygeia Hospital was granted the honorary title of "Organization Caring for the Disabled (愛心助殘單位)" in 2021 by Chongqing Welfare Foundation for Disabled Persons (重慶市殘疾人福利基金會) and the High-tech District Government Services and Social Affairs Center (高新區政務服務和社會事務中心). In order to facilitate early identification, diagnosis and treatment for oncology patients, Chongqing Hygeia Hospital continued to promote public welfare activities, such as breast and cervical cancer screening (兩癌篩查). During the Reporting Period, Chongqing Hygeia Hospital completed medical security for 118 government activities, and was designated as a medical institution for labor capacity assessment in the High-tech District by the Chongqing High-tech District Appraisal Committee of Labor Capacity (重慶市高新區勞動能力鑒定委員會). Dr. Wang Bolin (王柏林醫生) in Chongqing Hygeia Hospital was granted the title of "2021 The Most Admirable Medical Worker" in Chongqing High-tech District.

Suzhou Yongding Hospital was qualified as a provincial "elderly-friendly medical organization (老年友善醫療機構)". In the future, Suzhou Yongding Hospital will continue to optimize the medical environment for the elderly, satisfy the healthcare service needs of the elderly in all aspects, and provide a better medical experience to elderly patients. Suzhou Yongding Hospital was also designated as a medical rescue and assistance unit by the Association of Cancer Rehabilitation in Wujiang District. The hospital will adhere to the standardized cancer treatment guidelines, provide individualized, precise and multidisciplinary comprehensive treatments for oncology patients, and gradually improve the service model for the whole life cycle of oncology, which includes tumor screening, prevention, diagnosis, treatment and rehabilitation.

Suzhou Canglang Hospital was qualified as a municipal "elderly-friendly medical organization". The hospital will continue to embrace the service philosophy of "respecting, nursing, loving and assisting the elderly", constantly improve the health management of elderly patients, and provide a safer, friendlier and more comfortable medical environment for elderly patients. In addition, Suzhou Canglang Hospital received "Suzhou Gusu District Labor Relations Harmony Enterprise (蘇州市姑蘇區勞動關係和諧企業)" jointly awarded by various departments, including the Suzhou Gusu District Human Resources and Social Security Bureau (蘇州市姑蘇區人力資源和社會保障局), Suzhou Gusu District General Union (蘇州市姑蘇區總工會), Suzhou Gusu District Federation of Industry and Commerce (蘇州市姑蘇區工商業聯合會).

Longyan Boai Hospital was granted the honorary titles of "Organization Caring for the Disabled (愛心助殘單位)" by Longyan Welfare Foundation for Disabled Persons (龍岩市殘疾人福利基金會)" and "Enterprise with Special Contribution on Disability Support (扶殘助殘特別貢獻企業)" by the Fujian Liangye Welfare Foundation for Disabled Persons (福建省梁野殘疾人慈善基金會), respectively. Dr. Jiang Zonghu (江宗虎醫生), the chief physician of the hospitals' intensive care unit, was granted the honorary title of "2020 The Most Admirable Physician in Longyan (龍岩市2020年最美醫師)" by the Longyan Municipal Health Commission.

In May 2021, Shanxian Hygeia Hospital was granted "2020 Advanced Unit of All County United Front Work (2020年度全縣統戰工作先進單位)" by the United Front Work Department of the CPC Shanxian County Committee.

During the Reporting Period, all in-network hospitals under the Group provided year-round outpatient service (including public holidays). From February 2022, Suzhou Yongding Hospital has been the first hospital in Suzhou to provide both day-time and night-time outpatient services for patient convenience.

BUSINESS PROSPECTS

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

According to the results of the seventh national population census, as of November 1, 2020, there were 264 million elderly people aged 60 and above in China, accounting for 18.7% of the total population. It is expected that the population in China aged 60 or above will be over 400 million in 2050. It can be predicted that the incidence of tumors and other age-related diseases will continue to rise, and the demand for oncology medical services in the Chinese market will gradually increase. According to Frost & Sullivan's analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a CAGR of approximately 11.5% from 2021 to 2025.

Radiotherapy, as one of the three important means of treating malignant tumors, has a penetration rate in China (23%) that lags far behind the western countries (60%). According to the information published in foreign journals, approximately 60% to 70% of patients with malignant tumors shall receive radiotherapy treatment. The Group believes that by leveraging strict quality control, high-standard diagnosis and treatment technology and considerate diagnosis and treatment services, we are able to provide services to more oncology patients.

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

The medical care and health system reform in China has been deepened throughout recent years. The government has put in place certain policies encouraging the setup of medical institutions by social capitals to increase the supply of medical services, so as to alleviate the concerns over the significant and unevenly distributed gaps between supply and demand of medical services. Such policies include:

(1) "The Law of the People's Republic of China on the Promotion of Basic Medical and Health Care《中華人民共和國基本醫療衛生與健康促進法》" as adopted at the 15th Session of the Standing Committee of the Thirteenth National People's Congress in June 2020, clearly stated that the government encourages and drives the setup of medical institutions by social capitals in accordance to the laws;

(2) "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035《中華人民共和國國民經濟和社會發展第14個五年規劃和2035年遠景目標綱要》" passed at the 4th Session of the Thirteenth National People's Congress in March 2021, proposed to expand the supply of medical service resources aligning with the direction to improve the medical quality and efficiency mainly by public medical institutions with support from non-public medical institutions;

(3) "Notice of Issuing the Key Tasks for Deepening the Reform of Medical Care and Health System in 2021《關於印發深化醫藥衛生體制改革2021年重點工作任務的通知》" issued by the General Office of the State Council in May 2021 clearly and actively supports the development of medical services by social capitals. Medical institutions by social capitals can take lead in establishing or participating in county-level medical communities and urban medical groups to facilitate the development of specialties alliance and the collaborative network of remote medical services;

(4) "The Guiding Opinions on Deepening the Reform of Professional Title System for Healthcare Professionals《關於深化衛生專業技術人員職稱制度改革的指導意見》" jointly issued by the Ministry of Human Resources and Social Security, the National Health Commission and the National Administration of Traditional Chinese Medicine in August 2021 clearly stated that healthcare professionals of private medical institutions shall enjoy the treatments no different from those of public medical institutions in terms of title declaration and evaluation, and are not subject to restrictions on household registration, personal files, different medical institutions, etc.;

(5) In August 2021, the Office of the Leading Group for Learning and Education in relation to the Party's experience under the National Health Commission published an article titled "Thorough study of the past experience of the Party's leadership in healthcare industry promotes quality development of healthcare to a new level in new era《深入學習黨領導衛生健康事業的歷史經驗推動新時代新階段衛生健康事業高品質發展》", where it clearly stated that the government supports setting-up of medical institutions by social capitals to accelerate the development of the health industry;

(6) "Notice on Implementation of Opinions on the Deepened Reform of the Medical and Health System by Promoting the Experience of Sanming City, Fujian Province《關於抓好深入推廣福建省三明市經驗，深化醫藥衛生體制改革實施意見落實的通知》" issued by the Leading Group for Medical Reform under the State Council in December 2021, further emphasized that it is necessary to implement the relevant document requirements for supporting social capitals to provide multi-level and diversified medical services, and promote the proportion of non-public medical institutions and the proportion of diagnosis and treatment to meet the planning requirements;

(7) "Notice on 14th Five-Year Plan for Public Services《關於印發「十四五」公共服務規劃的通知》" jointly issued by the National Development and Reform Commission, the Publicity Department of CPC Central Committee, the Medical Insurance Bureaus and other authorities in December 2021 proposed to support participation of social capitals in public services in order to establish a diversified supply of public services. It is necessary to improve relevant policies, relax entry restrictions and promote fair entry to the market. The notice also promotes the development of professional hospital management groups;

(8) "The Guiding Principle of the State Program of the Establishment of Medical Institutions (2021–2025)《醫療機構設置規劃指導原則(2021–2025年)》" issued by the National Health Commission in January 2022 encourages the setup of medical institutions by social capitals to boost the development of private medical service. There are no planning restrictions on the total number and area for establishment of medical institution with social capitals. It also encourages medical institutions organized by social capitals to take lead in establishing or joining medical community, and explore various forms of cooperation between medical institutions by social capitals and public hospitals; and

(9) "The Three-year Action Plan for Health Development in Fujian Province (2021–2023)《福建省衛生健康發展建設三年行動計劃(2021–2023年)》" issued by the General Office of Fujian Provincial People's Government in January 2022 proposed to subsidize qualified private hospitals to support their continued operation; encourages the investment of social capital in strengthening the construction of infrastructures; and provides subsidies to those fulfilling the requirements. The goal is to achieve 25.3% for private hospital beds as a percentage of total hospital beds by 2023.

The Group believes that it is able to benefit from the encouragement and support of various national and local government policies and the environment for private medical service in China has been improving which has accelerated the development of private medical service. The Group will seize this opportunity to continuously expand its operation network to satisfy the growing needs of increasing number of oncology patients.

Looking forward, the Group expects to:

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

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

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

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

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

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

(5) continue to reinforce the modular matrix management model through standardizing and refining our management measures to improve the management efficiency of the Group and adapt to various reforms regarding payments of medical insurance; and

(6) continue the build-up of environment, social and governance (ESG) by reinforcing the regulatory measures on environment, such as reducing the usage of energy and making more efforts on medical waste management and recycling; fulfilling social responsibilities through organizing public welfare activities, such as offering free consultations to grassroots, providing assistance to impoverished and disabled people, conducting cancer screening, etc., to secure the interest of all stakeholders; improving and strengthening corporate governance and standardizing governance of listed companies by optimizing the governance structure and reinforcing the internal control and risk management to further facilitate communications with both regulatory agents, such as the Stock Exchange, and Shareholders, maintain transparency on information and create values for our Shareholders.

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased by 65.2% to RMB2,315.3 million for the year ended December 31, 2021 from RMB1,401.8 million for the year ended December 31, 2020.

Hospital Business

The Group's revenue from hospital business, accounting for 92.9% of the Group's total revenue, increased by 73.0% to RMB2,150.2 million for the year ended December 31, 2021 from RMB1,243.2 million for the year ended December 31, 2020. The increase in revenue from hospital business was primarily attributable to (i) the continuous growth of revenue from existing hospitals due to business expansion; and (ii) the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

Third-party Radiotherapy Business

The Group's revenue from third-party radiotherapy business, accounting for 6.8% of the Group's total revenue, increased by 5.0% to RMB158.4 million for the year ended December 31, 2021 from RMB150.8 million for the year ended December 31, 2020. Kaiyuan Jiehua Hospital, where Kaiyuan radiotherapy center is located, has become the self-owned hospital of the Group and its revenue has been incorporated into the Group's hospital business after the reform of not-for-profit hospital. Taking into no account of the impact of the aforesaid, the Group's revenue from the third-party radiotherapy business increased by 12.7% over last year.

Other Business

The Group's revenue from other business, accounting for 0.3% of the Group's total revenue, amounted to RMB6.7 million for the year ended December 31, 2021.

Cost of Revenue

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

The Group's cost of revenue increased by 69.0% to RMB1,557.9 million for the year ended December 31, 2021 from RMB921.7 million for the year ended December 31, 2020, which was primarily attributable to (i) the increasing cost of revenue due to the continuous growth of revenue from existing hospitals as a result of business expansion; and (ii) an increase in cost of revenue of RMB420.3 million due to the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 57.8% to RMB757.5 million for the year ended December 31, 2021 from RMB480.0 million for the year ended December 31, 2020.

The Group's gross profit margin decreased to 32.7% for the year ended December 31, 2021 from 34.2% for the year ended December 31, 2020, which was primarily attributable to the changes in the Group's revenue structure, of which the proportion of revenue from our hospital business increased to 92.9%. Leveraging on the Group's delicacy management and the advantage of business scale, the growth of such core business offset the impact of the termination of concessions of the social security and provident fund, while the gross profit margin rose steadily by 0.4% from 30.4% to 30.8%.

Selling Expenses

During the Reporting Period, the Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. The Group's selling expenses increased by 53.3% to RMB21.0 million for the year ended December 31, 2021 from RMB13.7 million for the year ended December 31, 2020, which was primarily attributable to (i) the increasing selling expenses due to the continuous growth of revenue from existing hospitals as a result of business expansion; and (ii) an increase in selling expenses of RMB4.0 million due to the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

Administrative Expenses

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

The Group's administrative expenses increased by 49.4% to RMB228.5 million for the year ended December 31, 2021 from RMB152.9 million for the year ended December 31, 2020, which was primarily attributable to (i) the increasing administrative expenses due to the continuous growth of revenue from existing hospitals as a result of business expansion; and (ii) an increase in administrative expenses of RMB39.7 million due to the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

Other Income

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

The Group's other income increased by 90.5% to RMB16.0 million for the year ended December 31, 2021 from RMB8.4 million for the year ended December 31, 2020, primarily due to the increase in income from government grants of RMB7.0 million.

Other Gains/(Losses) – Net

During the Reporting Period, the Group's other gains/(losses) – net were primarily composed of income from wealth management products and structured deposit products, foreign exchange gains/(losses), gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital and losses on disposal of property, plant and equipment. The Group recorded other gains – net of RMB69.8 million for the year ended December 31, 2021 and other losses – net of RMB21.5 million for the year ended December 31, 2020, with other gains increased by RMB91.3 million in aggregate, primarily because of (i) the gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital, Kaiyuan Jiehua Hospital for the year ended December 31, 2021; and (ii) the entering into a redemption date deferral agreement of redeemable Shares by the Group in February 2020.

Finance Income and Costs

During the Reporting Period, the Group's finance income was primarily composed of interest income on bank deposits. Finance income increased to RMB2.2 million for the year ended December 31, 2021 from RMB0.5 million for the year ended December 31, 2020.

The Group's finance costs were mainly comprised of the Group's interest expenses on bank borrowings and interest expenses on lease liabilities. The Group's finance costs decreased by 52.1% to RMB23.1 million for the year ended December 31, 2021 from RMB48.2 million for the year ended December 31, 2020, primarily due to (i) the interest expenses arising from borrowings of RMB23.0 million for the year ended December 31, 2021, while the interest expenses of borrowings were nil for the year ended December 31, 2020; and (ii) the interest expenses of redeemable Shares of RMB48.0 million for the year ended December 31, 2020. As the redeemable Shares were converted into ordinary Shares on the Listing Date, this expense did not affect the net profits of the Group for 2021 and subsequent years.

Income Tax Expense

The Group's income tax expense increased by 58.2% to RMB119.6 million for the year ended December 31, 2021 from RMB75.6 million for the year ended December 31, 2020, primarily due to an increase of 54.4% in profits before tax after deduction of adjustment items that were not deductible for tax purposes in 2020, such as Listing expenses, impact of the deferral of the redemption date of redeemable Shares, interest expenses of redeemable Shares and share-based compensation expenses.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 155.9% to RMB453.2 million for the year ended December 31, 2021 from RMB177.1 million for the year ended December 31, 2020. The Group's net profit margin increased to 19.6% for the year ended December 31, 2021 from 12.6% for the year ended December 31, 2020. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals, gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital, interest expenses of redeemable Shares, Listing expenses and impact of the deferral of the redemption date of redeemable Shares. The Group's non-IFRS adjusted net profit increased by 42.5% to RMB450.6 million for the year ended December 31, 2021 from RMB316.1 million for the year ended December 31, 2020.

Non-IFRS Measures

To supplement the Group's consolidated statement of comprehensive income which is presented in accordance with IFRS, the Company has provided adjusted net profit as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statement of comprehensive income in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies as they do not share a standardized meaning. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, the Group's consolidated statement of comprehensive income as reported under IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the years indicated to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,	
	2021 **(RMB'000)**	2020 (RMB'000)
Net profit	**453,203**	177,061
Adjustments:		
Share-based compensation expenses	**6,759**	4,072
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**6,093**	–
Gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital	**(15,449)**	–
Impact of the deferral of the redemption date of redeemable Shares	**–**	57,852
Interest expenses of redeemable Shares	**–**	48,029
Listing expenses	**–**	29,068
Non-IFRS adjusted net profit	**450,606**	316,082

Liquidity and Capital Resources

The Group's capital requirements for its business operations and expansion plans include upgrading the existing in-network hospitals, establishing and acquiring new hospitals and other working capital requirements. As of December 31, 2021, the Group had cash and cash equivalents of RMB707.1 million, as well as structured deposit products and wealth management products of RMB397.4 million.

Cash Flow

Operating Activities

The Group derived its cash inflow from operating activities primarily through provision of healthcare services, operation of third-party radiotherapy centers, etc.. Cash outflow from operating activities was primarily comprised of payments for procurement of pharmaceuticals and medical consumables, employee benefits expenses, and other operating expenses.

The Group's net cash generated from operating activities increased by 44.0% to RMB426.3 million for the year ended December 31, 2021 from RMB296.1 million for the year ended December 31, 2020, primarily attributable to the increase in the overall revenue of the Group.

Investing Activities

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

The Group's net cash used in investing activities decreased by 65.7% to RMB850.8 million for the year ended December 31, 2021 from RMB2,477.6 million for the year ended December 31, 2020, primarily attributable to (i) the payment for acquisition of subsidiaries by the Group of RMB2,047.9 million for the year ended December 31, 2021, as compared to that of nil for the year ended December 31, 2020; and (ii) the increase in net cash flow of redemption/(proceeds) of wealth management products and structured deposit products by RMB3,999.6 million over last year.

Financing Activities

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

The Group's net cash generated from financing activities decreased by 65.3% to RMB754.5 million for the year ended December 31, 2021 from RMB2,174.5 million for the year ended December 31, 2020, primarily due to the proceeds from bank borrowings of RMB1,186.9 million acquired by the Group in respect of acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital in 2021 and the proceeds from the Listing and over-allotment of RMB2,323.0 million in 2020.

Significant Investments, Material Acquisitions and Disposals

On April 25, 2021, the Group announced the acquisition of all the equity interest in Etern Group Ltd., pursuant to which the Group became indirectly interested in 98% of Suzhou Yongding Hospital's equity interest. The acquisition of Etern Group Ltd. was completed on April 28, 2021.

On May 26, 2021, the Group announced the acquisition of 99% equity interest in Hezhou Guangji Hospital, which was completed on July 7, 2021.

On June 24, 2021 and December 21, 2021, the Group announced the acquisitions of approximately 17.62% and 0.82% equity interests in Shanxian Hygeia Hospital, respectively. The acquisitions of the aforesaid equity interests were completed on July 12, 2021 and December 31, 2021, respectively.

Save as disclosed above, the Group did not have any other material acquisition or disposal for the year ended December 31, 2021.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily consisted of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 105.7% to RMB669.0 million for the year ended December 31, 2021 from RMB325.2 million for the year ended December 31, 2020, which was primarily attributable to the payments of land costs for the construction of subordinate hospitals of RMB87.8 million and construction costs for subordinate hospitals of RMB359.2 million in 2021.

Financial Position

Total Assets and Total Liabilities

As of December 31, 2021, the Group's total assets mainly consisted of cash and cash equivalents, financial assets at fair value through profit or loss, trade, other receivables and prepayments, property, plant and equipment and intangible assets. The Group's total assets increased by 42.2% to RMB6,686.9 million as of December 31, 2021 from RMB4,701.3 million as of December 31, 2020, primarily due to the bank borrowings of RMB1,186.9 million acquired by the Group in respect of acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital in aggregate.

As of December 31, 2021, the Group's total liabilities mainly consisted of borrowings, trade and other payables, current income tax liabilities, deferred income tax liabilities, deferred revenue and contract liabilities. The Group's total liabilities increased by 513.8% to RMB2,209.2 million as of December 31, 2021 from RMB359.9 million as of December 31, 2020, which was primarily attributable to the bank borrowings of RMB1,186.9 million acquired by the Group in respect of acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital in aggregate.

Inventories

During the Reporting Period, the Group's inventories mainly consisted of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 110.2% to RMB107.2 million as of December 31, 2021 from RMB51.0 million as of December 31, 2020, primarily due to the increase in the balance of consolidated financial statements of RMB45.2 million as a result of the Group's acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances due from the patients and public medical insurance programs for healthcare services provided by its self-owned hospitals, hospital partners for its Radiotherapy Center Services and other licensees of its proprietary SRT equipment. The balance of the Group's trade receivables increased by 73.9% to RMB445.2 million as of December 31, 2021 from RMB256.0 million as of December 31, 2020, primarily due to (i) the continuous growth of revenue from existing hospitals as a result of business expansion; and (ii) an increase in the balance of trade receivables due to the continuous increase in revenue from increased coverage expansion through acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

The Group's other receivables mainly represented deposits receivables. The Group's other receivables increased by 116.2% to RMB25.3 million as of December 31, 2021 from RMB11.7 million as of December 31, 2020.

The Group's prepayments for current assets mainly included prepayments to suppliers. The Group's prepayments for current assets increased by 231.8% to RMB29.2 million as of December 31, 2021 from RMB8.8 million as of December 31, 2020.

The Group's prepayments for non-current assets included prepayments for property, plant and equipment. Prepayments for property, plant and equipment represented prepaid construction fees to contractors which undertook the construction work of the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment increased by 179.9% to RMB50.1 million as of December 31, 2021 from RMB17.9 million as of December 31, 2020, primarily due to the prepayments for construction and equipment in relation to the construction of Liaocheng Hygeia Hospital of RMB22.1 million as of December 31, 2021.

Intangible Assets

The Group's intangible assets were primarily comprised of goodwill, software, contractual rights to provide management services, and medical licenses. The Group's intangible assets increased by 521.9% to RMB2,381.2 million as of December 31, 2021 from RMB382.9 million as of December 31, 2020, primarily due to the acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital, resulting in an increase of RMB1,934.9 million in the balance of goodwill. Upon joining the Group, benefiting from the advantages of extensive experience and management of resources of the Group in the operation of hospitals, oncology-related discipline construction and supply-chain management, Suzhou Yongding Hospital and Hezhou Guangji Hospital have been able to uphold the corporate vision of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)", continue to strengthen their diagnosis and treatment capabilities and gradually improve their operational efficiency through various means, such as compensation and performance reforms, adjustments to revenue structure and investment of medical resources, and thereby resulting in a continuous improvement of the sense of achievement of the employees, as well as the satisfactory of the patients.

Trade and Other Payables

Trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of Radiotherapy Center Services. The Group's trade payables increased by 160.2% to RMB308.3 million as of December 31, 2021 from RMB118.5 million as of December 31, 2020, primarily due to the increase in the balance of consolidated financial statements of RMB144.3 million as a result of the Group's acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital.

The Group's other payables primarily represented salaries payables, other taxes payables, payables for construction projects, payables of considerations for acquisition of subsidiaries and prepayments received for radiotherapy equipment licensing. The Group's other payables increased by 257.1% to RMB424.2 million as of December 31, 2021 from RMB118.8 million as of December 31, 2020, primarily due to (i) the increase in the balance of consolidated financial statements of RMB192.3 million as a result of the Group's acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital; and (ii) the increase of RMB158.4 million in the payables for acquisition of subsidiaries as a result of the acquisitions of Suzhou Yongding Hospital, Hezhou Guangji Hospital and minority equity interests of Shanxian Hygeia Hospital.

Borrowings

As of December 31, 2021, the Group had outstanding short-term borrowings (being the portion of long-term borrowings acquired by acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital due within one year) of RMB34.4 million and long-term borrowings of RMB1,196.5 million, primarily due to (i) the bank borrowings of RMB1,186.9 million acquired by the Group in respect of acquisitions of Suzhou Yongding Hospital and Hezhou Guangji Hospital in aggregate; and (ii) the increase in the balance of consolidated financial statements of RMB44.0 million as a result of the Group's acquisition of Hezhou Guangji Hospital.

Pledge of Assets

Except for equity pledge of the Group mentioned in Note 24 to the consolidated financial statements, the Group had no other pledged assets as of December 31, 2021.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities increased by 182.6% to RMB32.5 million as of December 31, 2021 from RMB11.5 million as of December 31, 2020, primarily due to the increase in advances received from inpatients of RMB12.4 million as of December 31, 2021.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of December 31, 2021 were primarily related to commitments for (i) the construction and decoration of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 110.0% to RMB449.8 million as of December 31, 2021 from RMB214.2 million as of December 31, 2020, primarily due to the increase in the commitments related to the Chongqing Hygeia Hospital Phase II project of RMB163.5 million, the increase in the commitments related to the Shanxian Hygeia Hospital Phase II project of RMB125.6 million, and the decrease in the commitments related to the construction of Liaocheng Hygeia Hospital of RMB77.6 million, as of December 31, 2021.

Contingent Liabilities

As of December 31, 2021, the Group did not have any outstanding debt securities, mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

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

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report and the Prospectus of the Company, for the year ended December 31, 2021, the Group did not have any future plan for material investments and capital assets.

Gearing Ratio

Gearing ratio is calculated as net debt divided by total capital and multiplied by 100%. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the consolidated statement of financial position) plus net debt. As of December 31, 2021, the gearing ratio of the Group was 10.5%.

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The monetary assets and monetary liabilities denominated in foreign currency as of December 31, 2021 amounted to RMB7.8 million and RMB988.6 million, respectively. If RMB had strengthened/weakened by 5% against USD with all other variables held constant, the pre-tax profit for the year ended December 31, 2021 would have been approximately RMB49.0 million higher/lower. The Group has not used any derivative contracts to hedge against foreign exchange risk.

Interest Rate Risk

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

Credit Risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties, financial assets at fair value through profit or loss and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets. Management of the Group has put in place a credit policy and the exposure to these credit risks is monitored on an on-going basis.

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

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

For other receivables and amounts due from related parties, 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.

Liquidity Risk

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

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended December 31, 2021.

The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividend.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 5,077 full-time employees, among which 77 were employees at the headquarters level and 5,000 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of that date:

Functions	Number of Employees	% of Total Employees
Headquarters level		
Operations	37	0.7
Manufacturing	18	0.4
Management, administrative and others	22	0.4
Sub-total	**77**	**1.5**
Self-owned hospitals		
Physicians	1,219	24.0
Other medical professionals	2,731	53.8
Management, administrative and others	1,050	20.7
Sub-total	**5,000**	**98.5**
Total	**5,077**	**100.0**

In addition, as of December 31, 2021, the Group's Managed Hospital in operation had an aggregate of 132 full-time employees, including 43 physicians, 49 other medical professionals and 40 management, administrative and other personnel.

For the year ended December 31, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB718.6 million (for the year ended December 31, 2020: RMB407.8 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

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

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

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

EVENT AFTER THE REPORTING PERIOD

After the year ended December 31, 2021, the Company repurchased a total of 1,275,800 Shares on the Hong Kong Stock Exchange on January 26, January 27, February 4, February 8 and February 9, 2022 with an aggregate amount of HK$44,047,580. As of the date of this report, the repurchased Shares have been cancelled by the Company.

Directors and Senior Management

DIRECTORS

Chairman of the Board and Executive Director

Mr. Zhu Yiwen (朱義文), aged 58, was appointed as the non-executive Director and vice chairman of the Company on March 30, 2021, appointed as the Chairman of the Board on July 6, 2021, and re-designated as the executive Director of the Company on August 23, 2021. Mr. Zhu will be responsible for the mid to long term development strategy formulation and the disciplines development planning of the in-network hospital of the Group. Mr. Zhu is the father of Ms. Zhu, and father-in-law of Mr. Ren.

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

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

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

Executive Directors

Ms. Cheng Huanhuan (程歡歡), aged 38, was appointed as the Director of the Company on June 3, 2019 and was re-designated as the executive Director on September 18, 2019. Ms. Cheng has been with the Group for more than 10 years since it started its business in 2009, and was appointed as the chief executive officer of the Group on December 24, 2019, and re-designated as the Co-chief Executive Officer of the Company on August 23, 2021, primarily responsible for implementing decisions of the Board, and overseeing the daily operation and management of the Group.

Ms. Cheng has accumulated rich experience in the daily management and operation of the Group, gained in-depth understanding in the industry where the Group operates, and built strong recognition of its corporate culture. Ms. Cheng started to work at Gamma Star Tech as the secretary to the chairman of the board of Gamma Star Tech in April 2008, mainly responsible for assisting the chairman with various board matters in relation to development strategies, operational goals and corporate governance. One year later in May 2009, Ms. Cheng served as the investment director of the Group and was in charge of the acquisitions of existing hospitals and establishment of new hospitals. In January 2015, she started to serve as the director of investment and strategic business of the Group. Ms. Cheng participated in the formulation of the development strategies of the Group and supervised the implementation of its strategic goals. She was also in charge of Chongqing Hygeia Hospital which recorded monthly net profit within four months after commencement of operations. Ms. Cheng was promoted to the vice president of the Group in January 2018 and was subsequently appointed as the chief executive officer of the Group in December 24, 2019, and re-designated as the Co-chief Executive Officer of the Company on August 23, 2021.

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

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

Mr. Ren Ai (任愛), aged 37, was appointed as the Director of the Company on September 12, 2018 and was re-designated as the executive Director on September 18, 2019. Mr. Ren is primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of the Group, assisting the chairman of the Board in supervising the implementation of the decisions of the Board, and responsible for the investment and financing, supply chain management and human resources of the Group. Mr. Ren is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu.

Mr. Ren has over 14 years of working experience starting his career at several multinational corporations. Prior to joining the Group, Mr. Ren worked at Haier Group Company (海爾集團公司) (Stock Code: 600690.SH), Alibaba Group Holding Limited (阿里巴巴集團控股有限公司) (Stock Code: BABA. NYSE), and American Express Company (Stock Code: AXP. NYSE). He joined the Group in December 2015 and has been the assistant to the chairman of the Board since February 2016. Mr. Ren was appointed as the senior vice president of the Group in February 2020, primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of the Group. He is also in charge of the investment and financing, supply chain management and human resources of the Group.

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

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

Mr. Zhang Wenshan (張文山), aged 40, was appointed as the executive Director of the Company on January 20, 2020 and has been the director of research & development and manufacturing of the Group since January 2014, primarily responsible for overseeing the research, development and manufacturing operations of the Group. Prior to joining the Group, in January 2007, Mr. Zhang joined Gamma Star Tech, responsible for manufacturing operations and after-sales services. Mr. Zhang was promoted as the director of research, development and manufacturing of the Group in January 2014 and has been the leader of the Group's research & development and manufacturing operations since then.

Mr. Zhang majored in administrative management and obtained a bachelor's degree in administrative management from Wuhan University (武漢大學) in June 2013 through a self-taught education program.

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

Ms. Jiang Hui (姜蕙), aged 46, was appointed as the executive Director of the Company on December 23, 2020 and has been the director of the Group's radiotherapy division since January 2015, primarily responsible for overseeing the business operation of the Group's in-network radiotherapy centers.

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

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

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群), aged 65, was appointed as the independent non-executive Director of the Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

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

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

Mr. Chen Penghui, aged 50, was appointed as an independent non-executive Director of the Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

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

Mr. Ye Changqing (葉長青), aged 51, was appointed as an independent non-executive Director of the Company on September 21, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

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

SENIOR MANAGEMENT

Mr. Zhu Yiwen (朱義文) is an executive Director and the chief executive officer of the Company. See "– Directors – Executive Directors" for details of his biography.

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

Mr. Wang Jie (王傑), aged 48, was appointed as the chief financial officer of the Group on August 9, 2017 and is primarily responsible for overseeing the financial operation and risk management of the Group.

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

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

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

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

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

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

Directors' Report

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the PRC in (i) operating private for-profit hospitals; (ii) operating radiotherapy business in self-owned hospitals and third-party radiotherapy business; and (iii) other business.

Analysis of the principal activities of the Group during the year ended December 31, 2021 is set out in Note 5 to the consolidated financial statements in this annual report.

A list of the Company's principal subsidiaries as of December 31, 2021, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 38 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

For more details, please refer to the Environmental, Social and Governance Report, which will be published in May 2022 and available on the websites of the Stock Exchange and the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated financial statements of this report.

The Board does not recommend payment of a final dividend for the year ended December 31, 2021 (for the year ended December 31, 2020: RMB0.12 per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from June 23, 2022 to June 28, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM. During such period, no transfers of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on June 28, 2022 will be June 28, 2022. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on June 22, 2022.

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

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

Shareholders

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

Staff

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

Patients and Customers

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

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

Suppliers

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

For the year ended December 31, 2021, there was no significant and material dispute between the Group and its stakeholders.

FINANCIAL SUMMARY

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

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

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

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$2,391.9 million and the unutilized net proceeds were kept at the bank accounts of the Group as at December 31, 2021.

Reference is made to the Prospectus and announcement dated May 26, 2021.

Details on the applications of net proceeds from the Listing (adjusted on a pro rata bases based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcement dated May 26, 2021. The following table sets out the revised applications of net proceeds, actual usage up to December 31, 2021 as well as the expected timeline for utilization:

	Planned applications *HK$ in million*	Revised applications *HK$ in million*	Amount utilized *HK$ in million*	Remaining amount *HK$ in million*	Expected timeline for full utilisation[(1)]
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	1,435.1	985.1	794.0	191.1	By the end of June 2024
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	717.6	1,167.6	1,167.6	–	N/A
Upgrading information technology systems	119.6	119.6	6.3	113.3	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	–	N/A
Total	**2,391.9**	**2,391.9**	**2,087.5**	**304.4**	

Note:

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2021, the Group's sales to its five largest customers accounted for 3.4% (2020: 4.1%) of the Group's total revenue, and the Group's sales to its single largest customer accounted for 1.8% (2020: 1.5%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the Group's purchases from its five largest suppliers accounted for 33.4% (2020: 33.9%) of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 12.2% (2020: 10.7%) of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group in 2021 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the changes in the Group's reserves for the year ended December 31, 2021 are set out in Note 22 to the consolidated financial statements. Details of the changes in the Company's reserves for the year ended December 31, 2021 are set out in Note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company's reserves available for distribution were approximately RMB6,851.1 million.

TAXATION

Tax position of the Company for the year ended December 31, 2021 is set out in Note 11 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

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

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company for the year ended December 31, 2021 are set out in Note 24 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended December 31, 2021 and up to the date of this report are:

Executive Directors

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

Non-executive Directors

Mr. Fang Min *(Resigned with effect from October 13, 2021)*
Mr. Cao Yanling *(Resigned with effect from March 30, 2021)*

Independent Non-executive Directors

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

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

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

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

REMUNERATION POLICY

As of December 31, 2021, the Group had 5,077 employees (December 31, 2020: 2,989 employees). Total staff remuneration expenses including Directors' remuneration in 2021 amounted to RMB718.6 million (fiscal year of 2020: RMB407.8 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

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

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

RETIREMENT AND EMPLOYEE BENEFIT PLANS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As of December 31, 2021, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares (5)	Approximate percentage of total issued Shares (6)
Mr. Zhu Yiwen (1) (2)	Interest in a controlled corporation/Interest of concert parties/Beneficial interest	281,041,615(L)	45.48%
Mr. Ren Ai (3) (4)	Interest in a controlled corporation/Interest of spouse/Beneficial interest	281,041,615(L)	45.48%
Mr. Zhang Wenshan	Beneficial interest	32,235(L)	0.01%

(b) Share Options granted by the Company

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

Notes:

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

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

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

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

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

(6) As at December 31, 2021, the total number of issued Shares was 618,000,000.

Interests in the associated corporation

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

Notes:

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

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

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

(4) Hygeia Hospital Management holds 30% equity interest in each of the VIE Hospitals (except for Hezhou Guangji Hospital in which Hygeia Hospital Management holds 29% equity interest), and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of the VIE Hospitals held by Hygeia Hospital Management.

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

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

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

(8) Hygeia Hospital Management holds 29% equity interest in Hezhou Guangji Hospital, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of Hezhou Guangji Hospital held by Hygeia Hospital Management.

(9) Xiangshang Investment holds 30% equity interest in Kaiyuan Jiehua Hospital Co., Ltd. and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the 30% equity interest of Kaiyuan Jiehua Hospital Co., Ltd. held by Xiangshang Investment. Kaiyuan Jiehua Hospital Co., Ltd. currently operates a private for-profit hospital whose predecessor is Kaiyuan Jiehua Hospital, one of the private not-for-profit hospitals managed by the Group.

Save as disclosed above, as of December 31, 2021, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

CHANGES TO THE INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

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

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

(2) Mr. Zhu Yiwen (i) was appointed as a non-executive Director and vice chairman of the Company with effect from March 30, 2021; (ii) was appointed as the Chairman of the Board and no longer serves as the vice chairman of the Company with effect from July 6, 2021; and (iii) was redesignated as an executive Director and was appointed as the Chief Executive Officer of the Company with effect from August 23, 2021;

(3) Ms. Cheng Huanhuan, an executive Director, redesignated from the Chief Executive Officer to the Co-chief Executive Officer of the Company with effect from August 23, 2021;

(4) Mr. Fang Min (i) resigned as the Chairman of the Board with effect from July 6, 2021; (ii) resigned as a non-executive Director and ceased to act as a member of the audit committee of the Board with effect from October 13, 2021 in order to devote more time to focus on his other business commitments; and

(5) Mr. Chen Penghui, an independent non-executive Director, was appointed as a member of the audit committee of the Board with effect from October 13, 2021.

Change of Directors' Remuneration

The remuneration package of Mr. Zhu Yiwen for his services as the Chairman, executive Director and Chief Executive Officer has been increased from RMB60,000 to RMB493,400 per annum with effect from August 23, 2021. Mr. Zhu is not entitled to a separate Director's fee.

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

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

As of December 31, 2021, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held [5]	Approximate percentage of shareholding in the Company
Century River Investment [1] [3]	Interest in a controlled corporation/Interest of concert parties	281,041,615 (L)	45.48%
Century River [1] [3]	Interest of concert parties/Beneficial interest	281,041,615 (L)	45.48%
Ms. Zhu [2] [3] [4]	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	281,041,615 (L)	45.48%
Red Palm Investment [2] [3]	Interest in a controlled corporation/Interest of concert parties	281,041,615 (L)	45.48%
Amber Tree [2] [3]	Beneficial interest/Interest of concert parties	281,041,615 (L)	45.48%
Red Palm [2] [3]	Beneficial interest/Interest of concert parties	281,041,615 (L)	45.48%

Notes:

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

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

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

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

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

Save as disclosed above, as of December 31, 2021, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

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

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

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

PRE-IPO RESTRICTED SHARE SCHEME

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

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

SHARE OPTION SCHEME

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

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares, which represents 3% of the total number of issued shares of the Company as at October 15, 2021. No Options shall be granted to any Eligible Person ("**Relevant Eligible Person**") if the number of Shares issued and to be issued upon the exercise of all Options granted and to be granted (including exercised, cancelled and outstanding Options) to the Relevant Eligible Person in the 12-month period up to and including the Offer Date of the relevant Option would exceed 1% of the total number of Shares in issue at such time. The Share Option Scheme will be valid and effective for a period of 10 years commencing from October 15, 2021.

For more details of the Share Option Scheme, please refer to the circular of the Company dated September 23, 2021, the notice of the extraordinary general meeting of the Company dated September 23, 2021 and the Note 29 to the consolidated financial statements in this annual report.

Details of movements of the share options under the Share Option Scheme during the Reporting Period are set out in Note 29 to the consolidated financial statements.

The closing price of the Shares immediately before the Grant Date on which the Share Options were granted was HK$66.05.

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

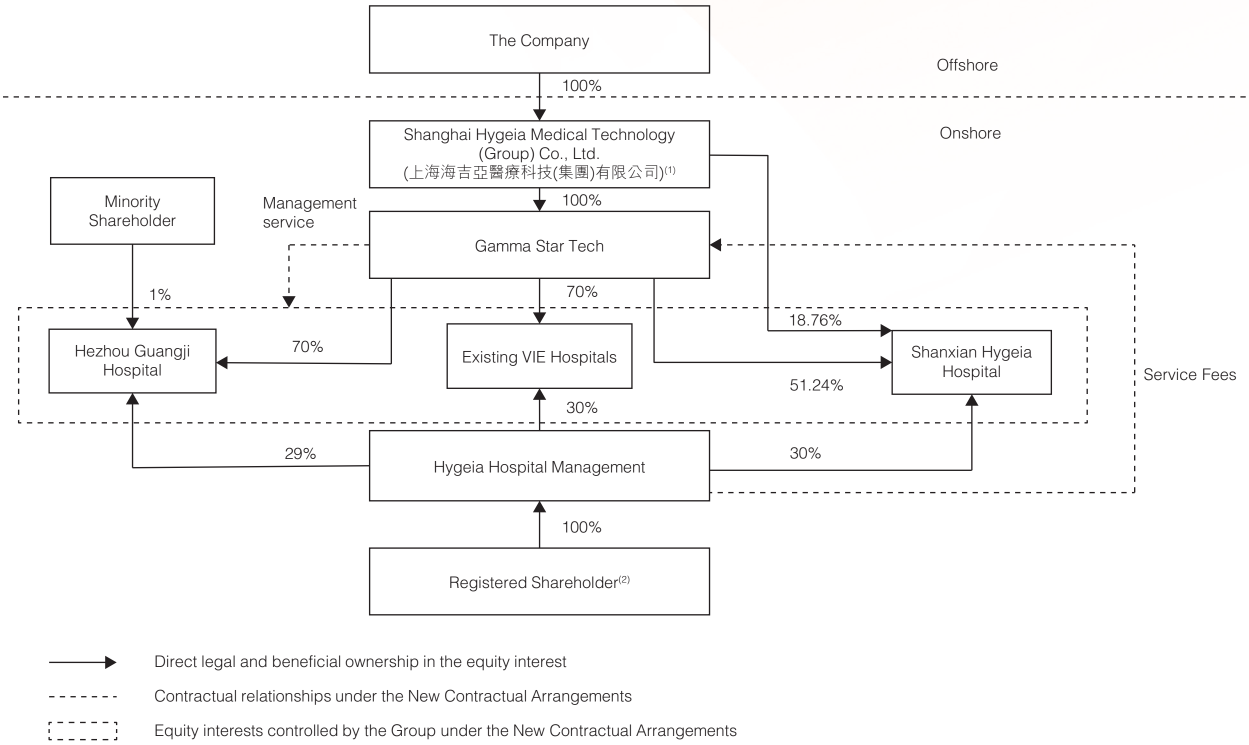
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions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

Contractual Arrangements

The Group primarily engages in the hospital business, third-party radiotherapy business and hospital management business. According to the applicable PRC laws and Regulations, medical institutions fall within the "restricted" investment category, and therefore may not be held 100.00% by foreign investors, and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. Furthermore, the competent authorities for foreign investment administration where the Group operates its hospitals is of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70.00% equity interest in each of the Group's hospitals in the PRC (the "**Foreign Ownership Restriction**"). As such, the Group currently holds 70.00% equity interest in each of the VIE Hospitals. Hygeia Hospital Management, a company wholly-owned by Xiangshang Investment (the "**Registered Shareholder**") which is in turn owned by Mr. Zhu and Ms. Zhu, holds the remaining 30.00% equity interest in the VIE Hospitals (except for Hezhou Guangji Hospital in which Hygeia Hospital Management holds 29% equity interest).

In light of the Foreign Ownership Restriction and in order to control Hygeia Hospital Management to prevent leakages of equity and values to the minority shareholder of the Group's VIE Hospitals and to obtain the maximum economic benefits of these hospitals, on April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021 the Group entered into the Contractual Arrangements with its VIE Hospitals, Hygeia Hospital Management, Gamma Star Tech and Xiangshang Investment. Under the Contractual Arrangements, Gamma Star Tech has acquired effective control over the financial and operational policies of the VIE Hospitals and the Group has become entitled to all the economic benefits derived from their operations.

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



Note:

(1) Formerly known as Gamma Star Medical Technology Development (Shanghai) Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司).

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

Summary of the Material Terms of the Contractual Arrangements

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

(1) Exclusive Operation Services Agreements

Hygeia Hospital Management, the Registered Shareholder and Gamma Star Tech entered into the exclusive operation services agreements with the VIE Hospitals on April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021 (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 30% of the distributable net profit of the VIE Hospitals (except for Hezhou Guangji Hospital in which Hygeia Hospital Management holds 29% equity interest) of a given audited financial year, after deducting the losses from the previous financial years (if any) and the statutory contributions (if applicable) subject to the applicable PRC laws and regulations. Apart from the service fees, Hygeia Hospital Management and the VIE Hospitals shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Gamma Star Tech in connection with the performance of the Exclusive Operation Services Agreements and provision of services thereunder.

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

(2) Exclusive Option Agreements

On each of April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management entered into the exclusive option agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management entered into the exclusive option agreements with the VIE Hospitals (all of these exclusive option agreements are collectively referred to as the "**Exclusive Option Agreements**").

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

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

(3) Entrustment Agreements and Powers of Attorney

On each of April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management entered into the shareholders' rights entrustment agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management entered into the shareholders' rights entrustment agreements with the VIE Hospitals (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, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021 all in favor of Gamma Star Tech (the "**Attorney**").

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

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

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

(4) Equity Pledge Agreements

On each of April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, Gamma Star Tech, Hygeia Hospital Management and the Registered Shareholder entered into the equity pledge agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management entered into the equity pledge agreements with the VIE Hospitals, and on April 8, 2019, Gamma Star Tech, Chongqing Hygeia Hospital and Longyan Boai Hospital entered into an equity pledge agreement (all of these equity pledge agreements are collectively referred to as the "**Equity Pledge Agreements**"), pursuant to which (i) the Registered Shareholder agrees to pledge all of its equity interest in Hygeia Hospital Management, (ii) Hygeia Hospital Management agrees to pledge all of its equity interests in the VIE Hospitals (except for Longyan Boai Hospital), and (iii) Chongqing Hygeia Hospital agrees to pledge all of its equity interest in Longyan Boai Hospital, in favor of Gamma Star Tech to secure performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

(5) Spousal Undertakings

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

Business Activities and Financial Contribution of the VIE Hospitals

The VIE Hospitals are principally engaged in providing healthcare services. The Group owns 70% equity interest in each of the VIE Hospitals and as a result of the Contractual Arrangements, the Group has obtained control of the remaining equity interest of the VIE Hospitals (except for Hezhou Guangji Hospital in which Hygeia Hospital Management holds 29% equity interest) through Hygeia Hospital Management. As such, the Company is entitled to receive substantially all of the economic interest returns generated by the VIE Hospitals. The following table sets forth the revenue and assets of the VIE Hospitals subject to the Contractual Arrangements during the Reporting Period:

	For the year ended December 31, 2021		As of December 31, 2021	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
VIE Hospitals	**1,740,739**	**75.2**	**3,650,198**	**66.5**

Governing Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The auditor of the Group has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements for the year ended December 31, 2021 and has provided a letter to the Board with a copy to the Stock Exchange confirming that:

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

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

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

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

Material Changes

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2021, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Hospitals under the Contractual Arrangements.

Hospital Management and Cooperation Agreements

The Group manages and operates, and receives management fees from its Managed Hospital. It also provides Radiotherapy Center Services to the hospital pursuant to the cooperation agreement it entered into with the Managed Hospital.

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Hospital Management Agreement

Pursuant to the hospital management agreement entered into by Gamma Star Tech with Handan Renhe Hospital and Kaiyuan Jiehua Hospital[1] on July 31, 2011 and November 30, 2012 ("**Hospital Management Agreement**"), the Group is entitled to receive management service fees calculated as a fixed percentage of the revenue of the Managed Hospital in return for the daily hospital operation management services provided and to be provided by the Group. The management fee rates are determined based on arm's length negotiations between the Managed Hospital and the Group after taking into consideration of the scope of services provided by the Group to the Managed Hospital, with reference to common market practice in the PRC healthcare service industry. The term of the Hospital Management Agreement is for a period of 40 years from the respective signing date.

Cooperation Agreement with Managed Hospital

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

Name of Managed Hospital	Term of cooperation with the Group
1. Handan Renhe Hospital	June 2012–June 2022
2. Kaiyuan Jiehua Hospital [1]	December 2014–May 2021

Note

(1) Officially incorporated on May 31, 2021, Kaiyuan Jiehua Hospital Co., Ltd. holds a valid practice license for medical institutions as for-profit hospitals and has commenced operating as a for-profit hospital. Gamma Star Tech and Kaiyuan Jiehua Hospital entered into the termination agreements (the "**Termination Agreements**") on May 31, 2021, to terminate the Kaiyuan Jiehua Hospital Cooperation Agreement and the Kaiyuan Jiehua Hospital Management Agreement and the continuing connected transactions thereunder.

For details of the reform of not-for-profit hospital of Kaiyuan Jiehua Hospital, please refer to the announcements of the Company dated April 16, and May 31, 2021.

Reasons for the Transactions

Hospital Management Agreement

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

Cooperation Agreement with Managed Hospital

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

Annual Caps and Historical Amounts during the Reporting Period

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

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

During the year ended December 31, 2021, the total amount of fees receivable under the Hospital Management Agreement amounted to RMB2.7 million, and the total amount of fees receivable under the Cooperation Agreement amounted to RMB9.6 million, which fall within the proposed annual cap as set out above.

Listing Rules Implications

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

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

Annual Review by the Directors and Auditors

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

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

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

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

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

The Company's external auditor, PricewaterhouseCoopers, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2021, there was no other related party transaction or continuing related party transaction set out in Note 34 to the consolidated financial statements which constitutes connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

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

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this report during the year ended December 31, 2021. No new business opportunity was informed by them as of December 31, 2021.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2021.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

Announcement regarding the entering into of the April Facility Agreement was published on April 25, 2021 pursuant to Rule 13.18 of the Listing Rules.

On May 26, 2021, Gamma Star Tech (as the borrower) entered into the facility agreement ("**May Facility Agreement**") with a bank (as the lender), an Independent Third Party, which provides for a loan facility in an aggregate principal amount of up to RMB272,000,000. The drawdown period shall be within three years from the date of signing of the May Facility Agreement, of which the first drawdown period shall be within six months from the date of signing the May Facility Agreement. The maturity date shall be twelve months after the first drawdown for 10% of the then accumulated principal drawdown amount, eighteen months after the first drawdown for 10% of the then accumulated principal drawdown amount, twenty-four months after the first drawdown for 10% of the then accumulated principal drawdown amount, thirty months after the first drawdown for 20% of the then accumulated principal drawdown amount, and thirty-six months after the first drawdown for the remaining principal drawdown amount. Interest shall be accrued on the outstanding drawdown amount from the drawdown date to the repayment date at 4.3% per annum and calculated on the basis of a 360-day per year.

Under the May Facility Agreement, the following specific performance obligations are imposed:

(1) the Company shall provide guarantee for the loan under the May Facility Agreement, and

(2) after the completion of the acquisition of the 99% equity interest in Hezhou Guangji Hospital, the 70% equity interest to be held by Gamma Star Tech in Hezhou Guangji Hospital shall be pledged in favor of the lender within 30 days after the first drawdown.

In addition, the following specific performance obligations are imposed on the Controlling Shareholders under the May Facility Agreement:

(1) there shall be no investigations or restriction of personal freedom under applicable laws against the Controlling Shareholders for suspicion of any illegal or criminal behaviors, which had or may have a material adverse effect on Gamma Star Tech's performance of its obligations under the May Facility Agreement; and

(2) there shall be no change of Controlling Shareholders of the Company.

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

Circular regarding the entering into of the May Facility Agreement was published on June 25, 2021 pursuant to Rule 14.44 of the Listing Rules.

Save as disclosed above, as of the date of this report, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

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

For the year ended December 31, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Subsequent to the Reporting Period, the Company repurchased a total of 1,275,800 Shares on the Hong Kong Stock Exchange with an aggregate amount of HK$44,047,580 in January 2022 and February 2022. As of the date of this report, the repurchased Shares have been cancelled by the Company.

Details of the Shares repurchased after the end of the Reporting Period are as follows:

Month of repurchases	Number of Shares purchased on the Hong Kong Stock Exchange	Price paid per Share		Aggregate purchase price
		Highest	Lowest	
January 2022	1,064,200	HK$34.95	HK$33.95	HK$36,964,560
February 2022	211,600	HK$33.95	HK$33.15	HK$7,083,020
Total	1,275,800			HK$44,047,580

Save as the abovementioned repurchases of Shares, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of the Prospectus and this report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended December 31, 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB0.2 million.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

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

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2021.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2021. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

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

By order of the Board

Mr. Zhu Yiwen
Chairman

Hong Kong, March 30, 2022

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") to the Listing Rules as its own code of corporate governance. Effective from January 1, 2022, Appendix 14 has been renamed to "Corporate Governance Code" and the structure of Appendix 14 has been re-arranged. The Company has complied with all applicable code provisions under the CG Code for the year ended December 31, 2021, except as disclosed below.

On March 30, 2021, Mr. Zhu Yiwen ("**Mr. Zhu**") was appointed as a non-executive Director and vice chairman of the Company. On July 6, 2021, the Company appointed Mr. Zhu as the Chairman of the Board and he also ceased to act as the vice chairman of the Company. On August 23, 2021, Ms. Cheng Huanhuan was re-designated from the Chief Executive Officer of the Company to Co-chief Executive Officer of the Company and Mr. Zhu was re-designated from a non-executive Director to an executive Director as well as appointed as the Chief Executive Officer of the Company. Since then, Mr. Zhu assumes the dual role as the Chairman of the Board and the Chief Executive Officer of the Company. Notwithstanding that code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 since 1 January 2022) provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, the Board is of the view that with support of the mature structure of the Company with a strict operational system and a set of procedural rules for the Board meetings, the Chairman does not have any power different from that of other Directors in relation to the decision making process. Moreover, the Company has also implemented an integrated system and a structured procedure to daily operations of the Group which ensure the diligence and efficiency of the Chief Executive Officer. As such, the Board believes that the management structure of the Company will ensure management efficiency and at the same time, protect the rights of all shareholders of the Company to the greatest extent. The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the disclosure requirements as set out in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Corporate governance and ESG are intrinsically linked, both help us to retain a healthy business and also aid the Company's efforts to develop control mechanisms, promote satisfaction, appease stakeholders and shareholders and ultimately increase shareholder value.

We acknowledge that to survive in a competitive business environment, both are intertwined and the key for success would be to ensure the board practices good governance while having sustainability in mind. The Group is keen to monitor and response to changes in its business and the external environment. Therefore, the Group is committed to strengthening its management's efforts to promote a sustainable development plan through good corporate governance, environmental protection, community investment and workplace practices. The Company will issue separately an Environmental, Social and Governance Report (the "**ESG Report**") which in line with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. The ESG Report will present the Company's commitment to sustainable development during the year under review, and it will cover the key social, environmental and economic aspects and its respective impact arising from the activities of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended December 31, 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the year ended December 31, 2021.

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND CO-CHIEF EXECUTIVE OFFICER

For the year ended December 31, 2021, the Chairman of the Board is Mr. Fang Min (from January 1, 2021 to July 5, 2021) and Mr. Zhu (from July 6, 2021 to December 31, 2021) while the Chief Executive Officer of the Company is Ms. Cheng Huanhuan (up to August 22, 2021) and Mr. Zhu (from August 23, 2021 to December 31, 2021) as well as Ms. Cheng Huanhuan is the Co-chief Executive Officer (from August 23, 2021 to December 31, 2021) after her re-designation from the Chief Executive Officer to the Co-chief Executive Officer on August 23, 2021.

For further details on the compliance with code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 since 1 January 2022), please refer to the section headed "CORPORATE GOVERNANCE PRACTICES" of this report.

THE BOARD

Board Composition

As of the date of this annual report, the Board comprises 5 executive Directors and 3 independent non-executive Directors as follows:

Executive Directors

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

Independent Non-executive Directors

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

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

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

Independent Non-executive Directors

For the year ended December 31, 2021, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2021, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

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

Appointment, Resignation and Re-election of Directors

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

Mr. Cao Yanling had resigned as a non-executive Director with effect from March 30, 2021. For details, please refer to the announcement of the Company dated March 30, 2021.

Mr. Zhu was appointed as a non-executive Director with effect from March 30, 2021 and had been re-designated from a non-executive Director to an executive Director with effect from August 23, 2021. For details, please refer to the announcements of the Company dated March 30, 2021 and August 23, 2021 respectively.

Mr. Fang Min had resigned as a non-executive Director with effect from October 13, 2021. For details, please refer to the announcement of the Company dated October 13, 2021.

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

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

Accordingly, Mr. Ren Ai (an executive Director), Mr. Liu Yanqun (an independent non-executive Director) and Mr. Ye Changqing (an independent non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-election at the AGM.

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

The Nomination Committee has considered Mr. Ren Ai's rich experience in the daily management and operation of the Group, his working profile and knowledge in business and general management. The Nomination Committee is satisfied that Mr. Ren Ai has performed his duties as executive Director effectively. The Board is of the opinion that Mr. Ren Ai with his knowledge and experience will continue to bring valuable contribution to the Board.

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

The Nomination Committee has also considered (i) Mr. Liu Yanqun's expertise in dermatology and professional experience in clinical practice and research and (ii) Mr. Ye Changqing's extensive experience in professional accounting, financial advisory and investment services will enhance the diversity of the skills and perspectives of the Board. The Board considers that each of Mr. Liu Yanqun and Mr. Ye Changqing has devoted sufficient time to perform his duties of an independent non-executive Director of the Company.

The Nomination Committee has nominated and the Board has recommended Mr. Ren Ai, Mr. Liu Yanqun and Mr. Ye Changqing to stand for re-election at the AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Remuneration of Directors and Senior Management

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

Details of the remuneration of the members of the Board for the year ended December 31, 2021 are set out in Note 40 to the consolidated financial statements in this annual report.

The remuneration of the senior management members of the Company by band during the year ended December 31, 2021 are set out below:

Remuneration Band	Number of individuals
HK$500,000 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	1

Continuous Professional Development of Directors

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

All Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, financial position and prospects to keep the Directors' abreast of the Group's affairs in order to discharge their duties. All Directors are also updated from time to time on major changes/material developments in the laws, rules and regulations applicable to the Company.

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

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

For the year ended December 31, 2021, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

Name of Directors	Law and Regulation Updates and Regulatory Dynamics
Executive Directors	
Mr. Zhu Yiwen (Chairman)	✓
Ms. Cheng Huanhuan	✓
Mr. Ren Ai	✓
Mr. Zhang Wenshan	✓
Ms. Jiang Hui	✓
Independent Non-executive Directors	
Mr. Liu Yanqun	✓
Mr. Chen Penghui	✓
Mr. Ye Changqing	✓

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the business growth. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The existing members of the Board were appointed after taking into account the aforesaid factors.

As of the date of this annual report, the Board comprises a total of 8 Directors, of which 5 were executive Directors, namely Mr. Zhu Yiwen (Chairman), Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui; and 3 were independent non-executive Directors, namely Mr. Liu Yanqun, Mr. Chen Penghui and Mr. Ye Changqing, including 6 males and 2 females; 2 Directors aged under 40, 2 Directors aged 40 to 49, 3 Directors aged 50 to 59 and 1 Director aged 60 or above. The Directors have a balanced mix of experiences and industry background, including but not limited to experiences in clinics, hospital management, technology development, finance, accountancy, investment and securities industries. They also obtained degrees in various majors including medical, medicinal chemistry, computer science, business administration and mathematics. The three independent non-executive Directors are with different industries and education backgrounds, representing over one-third of the total members of the Board, and are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has striven to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective.

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

Accordingly, the Board considers its members have generally achieved diversity in different aspects.

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee was established by the Board with specific written terms of reference. The terms of reference for the Audit Committee is available on the Company's website and the website of the Stock Exchange. The Audit Committee currently consists of Mr. Liu Yanqun, Mr. Chen Penghui and Mr. Ye Changqing, being all the independent non-executive Directors and is chaired by Mr. Ye Changqing who possesses appropriate professional accounting qualification as required under the Listing Rules.

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

The Audit Committee held 2 meetings and met the Company's external auditors during the year ended December 31, 2021.

The major work performed by the Audit Committee during the year included the following:

- Reviewed the draft annual report and accounts as well as the draft annual results announcement for the year ended December 31, 2020;
- Reviewed the draft interim report and accounts as well as the draft interim results announcement for the six months ended June 30, 2021;
- Discussed with the external auditors the nature and scope of the audit and reporting obligations;
- Considered the re-appointment of the external auditors;
- Reviewed the effectiveness of the risk management and internal control systems;
- Reviewed the continuing connected transaction of the Company; and
- Considered the terms of engagement of the external auditors, including their proposed fees.

Remuneration Committee

The Remuneration Committee was established by the Board with specific written terms of reference. The terms of reference for the Remuneration Committee is available on the Company's website and the website of the Stock Exchange. The Remuneration Committee currently consists of Mr. Ren Ai, Mr. Liu Yanqun and Mr. Chen Penghui with Mr. Chen Penghui acts as the chairman of the Remuneration Committee.

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

The Remuneration Committee held 2 meetings during the year ended December 31, 2021.

The major work performed by the Remuneration Committee during the year included the following:

- Reviewed the Company's remuneration policy and structure for all Directors and Senior Management;
- Considered the remuneration package for the appointment of a non-executive director; and
- Considered the remuneration package for the appointment of an executive director.

Nomination Committee

The Nomination Committee was established by the Board with specific written terms of reference. The terms of reference for the Nomination Committee is available on the Company's website and the website of the Stock Exchange. The Nomination Committee currently consists of Mr. Ren Ai, Mr. Liu Yanqun and Mr. Chen Penghui with Mr. Liu Yanqun acts as the chairman of the Nomination Committee.

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

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

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

The Nomination Committee held 3 meetings during the year ended December 31, 2021.

The major work performed by the Nomination Committee during the year included the following:

- Reviewed the suitability of a candidate to be appointed as a Director;
- Considered the nomination of the retiring Directors for re-election as Directors at the annual general meeting;
- Reviewed the structure, size and composition of the Board;
- Assessed the independence of all independence non-executive Directors;
- Reviewed the Nomination Policy; and
- Reviewed the Board Diversity Policy.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code (which has been renumbered as code provision A.2.1 since 1 January 2022).

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

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision A.1.1 of the CG Code (which has been renumbered as code provision C.5.1 since 1 January 2022) provides that board meetings should be held at least four times a year at approximately quarterly intervals. 16 Board meetings were held for the year ended December 31, 2021.

The attendance records of each Director at the Board and Board Committee meetings of the Company held during the year ended December 31, 2021 is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Zhu Yiwen *(Chairman)* *(Note 1)*	14/14	N/A	N/A	N/A
Ms. Cheng Huanhuan	16/16	N/A	N/A	N/A
Mr. Ren Ai	16/16	N/A	2/2	3/3
Mr. Zhang Wenshan	16/16	N/A	N/A	N/A
Ms. Jiang Hui	16/16	N/A	N/A	N/A
Non-executive Directors				
Mr. Fang Min *(Note 2)*	12/12	2/2	N/A	N/A
Mr. Cao Yanling *(Note 3)*	2/2	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Liu Yanqun	16/16	2/2	2/2	3/3
Mr. Chen Penghui *(Note 4)*	16/16	N/A	2/2	3/3
Mr. Ye Changqing	16/16	2/2	N/A	N/A

Two general meetings were held during the year ended December 31, 2021. The annual general meeting of the Company was held on June 28, 2021 ("**2021 AGM**") and an extraordinary general meeting of the Company was held on October 15, 2021 ("**EGM**") respectively.

The attendance records of each Director at the 2021 AGM and the EGM held during the year ended December 31, 2021 is set out in the table below:

Name of Directors	Attendance/Number of General Meetings 2021 AGM	Attendance/Number of General Meetings EGM
Executive Directors		
Mr. Zhu Yiwen *(Chairman) (Note 1)*	✓	✓
Ms. Cheng Huanhuan	✓	✓
Mr. Ren Ai	✓	✓
Mr. Zhang Wenshan	✓	✓
Ms. Jiang Hui	✓	✓
Non-executive Directors		
Mr. Fang Min *(Note 2)*	✓	N/A
Mr. Cao Yanling *(Note 3)*	N/A	N/A
Independent Non-executive Directors		
Mr. Liu Yanqun	✓	✓
Mr. Chen Penghui *(Note 4)*	✓	✓
Mr. Ye Changqing	✓	✓

Notes

1. Mr. Zhu Yiwen was appointed as a non-executive Director and the vice chairman of the Company on March 30, 2021 and was re-designated as the chairman of the Board effective from July 6, 2021. Mr. Zhu was also re-designated from a non-executive Director to an executive Director as well as appointed as the chief executive officer effective from August 23, 2021.

2. Mr. Fang Min resigned as the chairman of the Board effective from July 6, 2021. Mr. Fang also resigned as a non-executive Director and ceased to act as a member of the Audit Committee of the Board effective from October 13, 2021.

3. Mr. Cao Yanling resigned as a non-executive Director effective from March 30, 2021.

4. Mr. Chen Penghui was appointed as a member of the Audit Committee of the Board effective from October 13, 2021.

During the year ended December 31, 2021, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2021.

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 85 to 91 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, for the year ended December 31, 2021, is set out below:

Type of Services	Amount *(RMB'000)*
Audit services	5,450
Non-audit services	–
Total	**5,450**

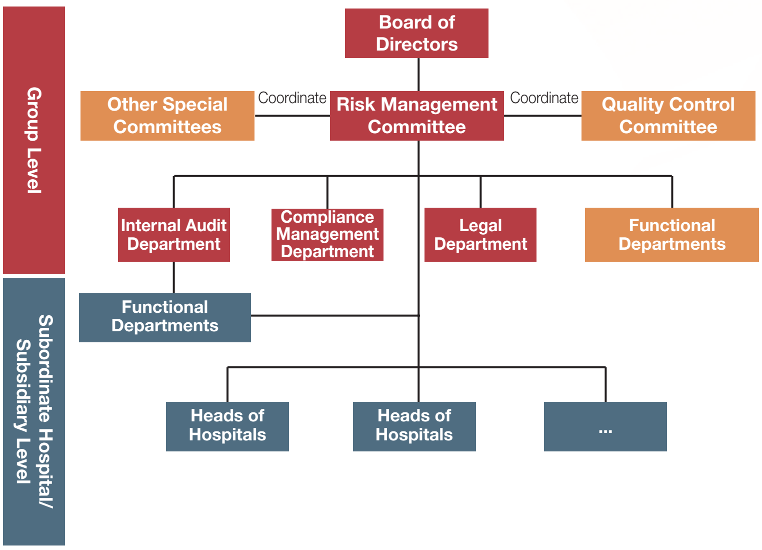
RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

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

Risk Management and Internal Control Framework

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



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

Group Level	Main Responsibilities
Board of Directors	• To consider and approve the overall plan of the Group's risk management system; • To decide the appointment and dismissal of the person in charge of the Group's risk management; • To review the risk management evaluation report submitted to the general meeting; and • To supervise the risk management responsibilities of the Risk Management Committee and comprehensively manage the Group's risk.

Group Level	Main Responsibilities
Risk Management Committee	• To review the organization of risk management and its responsibilities plan, and review the basic system of risk management; • To review the Risk Management Operation Manual and its revisions; • To promote risk management and risk assessment, and regularly appoint relevant responsible persons to perform risk assessment; • To review major risk assessment reports and various risk management reports; • To understand the major risks faced by the Group and the current status of risk management, and make effective risk control decisions; • To review major risk management measures, correct and deal with decisions or behaviors made by relevant organizations or individuals that transcend the risk management system; and • Risk management and other major issues.
Internal Audit Department, Compliance Management Department, Legal Department	• To promote the construction of a Group-level risk management system; • Responsible for the revision of the Risk Management Operation Manual and submit it to the Risk Management Committee for review; • To organize and coordinate with various departments and hospitals of the headquarters to carry out Group-level major risk identification and assessment, and summarize and analyze the above information to form Group-level major risk assessment reports and various risk management reports, and submit them to the Risk Management Committee and reveal information of major risks at the Group level; • Responsible for managing Group-level risk, researching and proposing relevant measures and plans for Group-level major risk management, and providing professional advice on major risk decisions; • To monitor the main business risks faced by hospitals and the effectiveness of corresponding risk management measures; and • To supervise the cultivation of the Group's overall risk management culture.

Group Level	Main Responsibilities
Other functional departments of the headquarters, heads and personnel of hospitals	• To cooperate with various risk management departments at the headquarters level to regularly update the risk list and risk assessment of its business; • To formulate the relevant risk response plan of its business and implement the response plan; responsible for the promotion and implementation of specific risk management measures; • To monitor various risks of its business, and report risk information to the Internal Audit Department of the headquarters in a timely manner; and • To handle other related risk management work.

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

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

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

Review of Risk Management and Internal Control for 2021

The Board was responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness twice a year for the periods ended June 30, 2021 and December 31, 2021. Such systems, which covered all important aspects of control, including financial control, operation control and compliance control, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year ended December 31, 2021, the Board completed the review of the Group's risk management and internal control systems and was satisfied with the results. The Board and management also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting. The Company considers that the training courses and related budgets received by the staff were adequate.

The Group continued to review the effectiveness of the internal control system, and adopted measures and procedures in various aspects, such as fund management, budget management, and market activities, to strengthen the effectiveness of the internal control system.

The Group has established a comprehensive risk management system and has achieved organic integration with the existing internal control system. Through systematic risk assessment procedures, the Group identified and established a list of risks (including, among others, the ESG risk, operations risk, process risk and economic risk) in line with the Company's business conditions and environmental changes, evaluated the likelihood and impact of risks to rank the severity of such impacts on the Group's business, and then formulated risk management measures to control the risks to an acceptable level. Finally, through internal supervision, the Group effectively implemented risk management measures, reflecting the effect of risk management. In respect of the Group's principal risks and ESG performance, please refer to the sub-sections headed "PRINCIPAL RISKS AND UNCERTAINITIES", "ENVIRONMENTAL POLICIES AND PERFORMANCE" and "COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS" under Directors' Report as set out on pages 37 and 38 of this annual report. Please also refer to a separate report "2021 Environmental, Social and Governance Report" for details of the Group's sustainable development and stakeholder engagement.

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

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended December 31, 2021 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting, to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board concluded that these procedures did not identify any material internal control deficiencies of the Group. The Board considers that the risk management and internal control systems of the Group are effective and adequate.

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

JOINT COMPANY SECRETARIES

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

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Yeung Ching Man ("**Ms. Yeung**"), a former vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), as the other joint company secretary to assist Mr. Ren to discharge his duties as company secretary of the Company. The primary corporate contact person at the Company is Mr. Ren, the joint company secretary of the Company. Ms. Yeung resigned and Mr. Lau Kwok Yin ("**Mr. Lau**") was appointed as the joint company secretary of the Company both effective from January 25, 2021. For details, please refer to the announcement of the Company dated January 25, 2021. Following the resignation of Ms. Yeung, Mr. Ren and Mr. Lau are the joint company secretaries of the Company.

Mr. Lau Kwok Yin (劉國賢), aged 36, is now an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. He has over 10 years' experience in corporate secretarial services, finance and bank operations. He holds a bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charter holder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

For the year ended December 31, 2021, the joint company secretaries of the Company have undertaken not less than 15 hours of relevant professional training which in compliant with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy which will be reviewed on a regular basis to ensure its effectiveness.

DIVIDEND POLICY

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

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

Enquiries to the Board

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

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

CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2021, there was no change in the Company's Memorandum and Articles of Association.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Hygeia Healthcare Holding Co., Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 92 to 178, comprise:

- the consolidated statement of comprehensive income for the year ended December 31, 2021;
- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matters identified in our audit are summarised as follows：

- Purchase price allocation for business combinations
- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for business combinations	
Refer to Note 2.2.1 (a), Note 4 (d) and Note 25 to the consolidated financial statements. During the year ended December 31, 2021, the Group completed three business combinations. Management has engaged an independent qualified valuer to assist them in identifying intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies or business at their respective acquisition dates and, based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in recognition of intangible assets of RMB87,400,000, mainly representing the medical licenses. Goodwill of RMB1,934,938,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired, was recognized. Significant judgements and estimates were involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly revenue growth rate, gross profit margins, earnings before interest, tax ("EBIT"), discount rates and expected useful lives of the identified intangible assets), which are subject to high degree of estimation uncertainty. The inherent risk in relation to the purchase price allocation for business combinations is considered significant due to uncertainty of significant assumptions used.	We have performed the following procedures to assess this key audit matter: • Understood, evaluated and tested management's key controls in relation to the purchase price allocation for business combinations and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • Assessed the competency, objectivity and independence of the external valuer engaged by management. • Obtained the valuation reports in relation to the purchase price allocation for the acquisitions, and engaged our in-house valuation experts to assess the appropriateness of the valuation methodologies adopted by management and the reasonableness of discount rates used by management. • Challenged and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified intangible assets with the involvement of our inhouse valuation experts. For revenue growth rate, gross profit margins, EBIT and the expected useful lives of the identified intangible assets, we compared these assumptions with the relevant historical data of these acquired companies and market data, where applicable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
We consider this area a key audit matter given the magnitude of the identified intangible assets and goodwill recognized arising from the business combinations, and the significant judgements and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations.	• Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the identified intangible assets and goodwill. • Checked the mathematical accuracy of the calculations of the fair value of the identified intangible assets and goodwill. We found that the significant judgements and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations were properly supported by available evidences.
Goodwill impairment assessment	
Refer to Note 2.6.1, Note 4 (a) and Note 14 (a) to the consolidated financial statements. As at December 31, 2021, balance of goodwill of the Group amounted to RMB2,235,276,000 which accounted for approximately 33.4% of the total assets of the Group. Goodwill mainly arose from the Group's business combination activities. For the purposes of goodwill impairment assessment, management considered each of the acquired companies or group a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired companies or group. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. The value-in-use calculation requires the Group to forecast the future cash flows expected to arise from the CGU based on the financial budgets approved by management.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested management's key controls in relation to the goodwill impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • Assessed the appropriateness of the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policies and our understanding of the Group's business. • Obtained management's assessment on goodwill impairment and engaged our in-house valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rates used by management.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate method to perform goodwill impairment assessment and the use of key assumptions in the value-in-use calculation, which primarily include revenue growth rates, costs and operating expenses ratio, long-term growth rate and discount rates. The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the goodwill impairment assessment is considered significant due to uncertainty of significant assumptions used. We consider this area a key audit matter due to the significance of the goodwill balance and the significant judgements and estimates involved in the goodwill impairment assessment.	• Challenged and assessed the reasonableness of the key assumptions used in the value-in-use calculation. For the revenue growth rates and costs and operating expenses ratio, we compared them with the relevant historical data and market data, where applicable; for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research. • Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process. • Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount. • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. We found that the significant judgements and estimates involved in the goodwill impairment assessment were properly supported by available evidences.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2022

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	2,315,349	1,401,764
Cost of revenue	8	(1,557,850)	(921,721)
Gross profit		757,499	480,043
Selling expenses	8	(20,976)	(13,738)
Administrative expenses	8	(228,523)	(152,902)
Other income	6	16,012	8,410
Other gains/(losses)-net	7	69,763	(21,529)
– *Other losses-effect of deferral of the redemption date of redeemable shares*		–	(57,852)
– *Other gains-others*		69,763	36,323
Operating profit		593,775	300,284
Finance income	10	2,155	498
Finance costs	10	(23,085)	(48,170)
– *Finance costs-interest expenses of redeemable shares*		–	(48,029)
– *Finance costs-others*		(23,085)	(141)
Finance costs-net		(20,930)	(47,672)
Profit before income tax		572,845	252,612
Income tax expense	11	(119,642)	(75,551)
Profit and total comprehensive income for the year		453,203	177,061
Profit and total comprehensive income attributable to			
– Owners of the Company		441,457	170,085
– Non-controlling interests		11,746	6,976
Earnings per share (expressed in RMB per share)			
– Basic earnings per share (in RMB)	12	0.71	0.38
– Diluted earnings per share (in RMB)	12	0.71	0.38

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

Consolidated Statement of Financial Position

		As at December 31,	
	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,517,144	1,365,850
Intangible assets	14	2,381,150	382,940
Prepayments for non-current assets	20	50,082	17,885
Deferred income tax assets	15	17,790	12,289
Total non-current assets		4,966,166	1,778,964
Current assets			
Inventories	16	107,180	50,957
Trade, other receivables and prepayments	20	499,663	276,530
Amounts due from related parties	34	9,460	12,824
Financial assets at fair value through profit or loss	18	397,400	2,196,926
Cash and cash equivalents	19	707,069	385,104
Total current assets		1,720,772	2,922,341
Total assets		6,686,938	4,701,305
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	21	7,082,915	7,123,502
Shares held for employee share scheme		–	–*
Other reserves	22	(2,929,602)	(2,747,909)
Retained earnings/(accumulated losses)	23	303,141	(107,826)
		4,456,454	4,267,767
Non-controlling interests		21,258	73,610
Total equity		4,477,712	4,341,377

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

Consolidated Statement of Financial Position

	Notes	As at December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**1,196,478**	–
Deferred income tax liabilities	15	**115,250**	43,599
Deferred revenue	26	**34,431**	26,690
Lease liabilities	27	**416**	807
Other non-current liabilities	28	**8,044**	7,880
Total non-current liabilities		**1,354,619**	78,976
Current liabilities			
Trade and other payables	30	**732,461**	237,268
Amounts due to related parties	34	**48**	–
Contract liabilities	31	**32,485**	11,456
Current income tax liabilities		**54,848**	30,551
Lease liabilities	27	**392**	1,677
Borrowings	24	**34,373**	–
Total current liabilities		**854,607**	280,952
Total liabilities		**2,209,226**	359,928
Total equity and liabilities		**6,686,938**	4,701,305

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

The consolidated financial statements on pages 92 to 178 were approved by the board of directors (the "Board") on March 30, 2022 and were signed on its behalf.

Zhu Yiwen
Director

Ren Ai
Director

Consolidated Statement of Changes In Equity

		Attributable to owners of the Company						
	Notes	Share capital and premium *RMB'000* *(Note 21)*	Shares held for employee share scheme *RMB'000*	Other reserves *RMB'000* *(Note 22)*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2021		7,123,502	–*	(2,747,909)	(107,826)	4,267,767	73,610	4,341,377
Comprehensive income								
Profit for the year		–	–	–	441,457	441,457	11,746	453,203
Total comprehensive income for the period		–	–	–	441,457	441,457	11,746	453,203
Transactions with owners in their capacity as owners								
Acquired additional shares of a subsidiary	22	–	–	(185,448)	–	(185,448)	(80,662)	(266,110)
Share-based compensation		–	–	6,759	–	6,759	–	6,759
Exercise of employee share scheme		33,494	–*	(33,494)	–	–	–	–
Dividends		(74,081)	–	–	–	(74,081)	–	(74,081)
Transfer to statutory reserves	23	–	–	30,490	(30,490)	–	–	–
Non-controlling interests arising from business combination	14	–	–	–	–	–	11,807	11,807
Non-controlling interests arising from acquisition of subsidiaries	25	–	–	–	–	–	4,757	4,757
Total transactions with owners in their capacity as owners		(40,587)	–	(181,693)	(30,490)	(252,770)	(64,098)	(316,868)
Balance at December 31, 2021		7,082,915	–	(2,929,602)	303,141	4,456,454	21,258	4,477,712

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

Consolidated Statement of Changes In Equity

		Attributable to owners of the Company						
	Notes	Share capital and premium *RMB'000* *(Note 21)*	Shares held for employee share scheme *RMB'000*	Other reserves *RMB'000* *(Note 22)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total (deficits)/ equity *RMB'000*
Balance at January 1, 2020		2,731,464	–*	(2,680,702)	(253,368)	(202,606)	–	(202,606)
Comprehensive income								
Profit for the year		–	–	–	170,085	170,085	6,976	177,061
Total comprehensive income for the period		–	–	–	170,085	170,085	6,976	177,061
Transactions with owners in their capacity as owners								
Share – based compensation		–	–*	4,072	–	4,072	–	4,072
Transfer to statutory reserves		–	–	24,543	(24,543)	–	–	–
Conversion from redeemable shares into ordinary shares pursuant to Initial Public Offering ("IPO")		2,107,892	–	–	–	2,107,892	–	2,107,892
Exercise of employee share scheme		62,563	–	(29,188)	–	33,375	–	33,375
Shares issued pursuant to the IPO		2,024,255	–	–	–	2,024,255	–	2,024,255
Share issuance cost		(92,397)	–	–	–	(92,397)	–	(92,397)
Share issuance cost of over-allotment		(8,984)	–	–	–	(8,984)	–	(8,984)
Shares issued upon over-allotment options exercised		298,709	–	–	–	298,709	–	298,709
Non-controlling interests arising on exercise of employee share scheme		–	–	(66,634)	–	(66,634)	66,634	–
Total transactions with owners in their capacity as owners		4,392,038	–*	(67,207)	(24,543)	4,300,288	66,634	4,366,922
Balance at December 31, 2020		7,123,502	–*	(2,747,909)	(107,826)	4,267,767	73,610	4,341,377

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

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

Consolidated Statement of Cash Flows

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**504,387**	349,367
Interest received		**2,155**	498
Income tax paid		**(80,291)**	(53,740)
Net cash generated from operating activities		**426,251**	296,125
Cash flows from investing activities			
Purchases of property, plant and equipment		**(663,092)**	(321,893)
Proceeds from disposal of property, plant and equipment and intangible assets	33	**20,207**	1,353
Purchases of intangible assets		**(5,915)**	(3,268)
Payments for acquisition of subsidiaries including dividends paid to the pre-acquisition shareholders, net of cash acquired	25	**(2,047,851)**	–
Payments for purchases of financial assets at fair value through profit or loss	3.3	**(3,204,173)**	(6,810,870)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3	**5,049,978**	4,657,052
Net cash used in investing activities		**(850,846)**	(2,477,626)
Cash flows from financing activities			
Prepaid exercise price of restricted shares		**–**	33,375
Payments for listing expense		**–**	(89,424)
Payments for listing expense of over-allotment		**–**	(8,984)
Borrowing interest paid	10	**(22,976)**	–
Repayments of bank borrowings	33	**(88,500)**	–
Proceeds from bank borrowings	33	**1,196,351**	–
Payments of lease liabilities, including interest	33	**(2,025)**	(1,507)
Repayments and advance to related parties		**–**	(11,904)
Dividends paid to the Company's shareholders		**(74,081)**	(70,000)
Payments for acquisition of additional shares of a subsidiary	22	**(254,274)**	–
Proceed from insurance of new ordinary shares pursuant to the IPO		**–**	2,024,255
Proceed from insurance of new ordinary shares pursuant to the over-allotment		**–**	298,709
Net cash generated from financing activities		**754,495**	2,174,520
Net increase/(decrease) in cash and cash equivalents		**329,900**	(6,981)
Effect on exchange rate difference		**(7,935)**	(1,324)
Cash and cash equivalents at beginning of the year		**385,104**	393,409
Cash and cash equivalents at end of the year	19	**707,069**	385,104

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the Businesses (as described in below (i),(ii) and (iii)), 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;

(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 ((a), (b), (c) collectively referred as the "Radiotherapy Business");

(iii) Provision of management services to private not-for-profit hospitals and sales of pharmaceutical, medical consumables and medical equipments to third parties (the "Other Business").

The Businesses are controlled by Mr. Zhu Yiwen (朱義文, "Mr. Zhu").

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(ii) Historical cost convention

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) Amendments to IFRSs effective for the financial year beginning on or after January 1, 2021 but do not have a material impact on the Group

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Covid-19-related Rent Concessions	June 1, 2020/ April 1, 2021*
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021

* Applicable to reporting periods commencing on or after the given date.

(iv) New standards and interpretations not yet been adopted

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts-Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use	January 1, 2022
Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual improvements to IFRS Standards 2018 to 2020	January 1, 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

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

(a) Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

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

(b) Changes in ownership interests without change of control

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

(c) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

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
Furniture, fixtures and equipment	5 years
Right-of-use for properties	5–10 years
Right-of-use for lands	Shorter of remaining lease term or estimated useful life
Leasehold improvements	Shorter of remaining lease term or estimated useful life

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

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

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

Construction-in-progress (the "CIP") represents buildings under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised 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 is transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.6.3 Contractual rights to provide management services

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

2.6.4 Software

Acquired computer software licenses are capitalised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

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

2.8 Financial assets

(i) Classification

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

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

– those to be measured at amortized cost.

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

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

See Note 17 for details about each type of financial assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(ii) Recognition and measurement

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

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

Debt instruments

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iii) Impairment of financial assets

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

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

– other receivables and due from related parties.

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

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

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

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

(iv) Derecognition of financial instruments

Financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iv) Derecognition of financial instruments (Continued)

Financial assets (Continued)

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

– the carrying amount of the financial asset transferred; and

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

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

Other financial liabilities

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

2.9 Offsetting financial instruments

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

2.10 Inventories

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

2.11 Contract assets and contract liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital and share premium

Ordinary shares are classified as equity.

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

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

2.15 Trade payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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 capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the year 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.

2.18.1 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

2.18.2 Deferred income tax

(i) Inside basis differences

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

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

(ii) Outside basis differences

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

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

2.18.3 Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

2.19.1 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.

A subsidiary of the Group operates a supplementary defined contribution retirement benefit plan (the "Corporate Pension Plan"). Contributions are made based on certain fixed amounts and are expensed as incurred. 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 the Corporate Pension Plan are held separately by a PRC insurance company. If the employee leaves employment prior to the contributions vesting fully, part of the contributions are refunded to the Group, in accordance with the rules of the Corporate Pension Plan.

2.19.2 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 insurances 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.

2.19.3 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.

2.19.4 Employee leave entitlement

Employee entitlement to annual leave is 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

2.19.5 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.

2.19.6 Share-based compensation benefits of the Group

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

– Including any market performance conditions;

– Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and

– Excluding the impact of any service and non-market performance vesting conditions.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

2.21 Revenue recognition

The Group operates three types of business, namely:

(i) Hospital Business;

(ii) Radiotherapy Business; and

(iii) Other 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.

2.21.1 Hospital Business

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

2.21.1 Hospital Business (Continued)

(a) Outpatient services

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

(b) Inpatient services

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

2.21.2 Radiotherapy Business

(a) Radiotherapy center service

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

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

(b) Radiotherapy equipment lease

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

(c) Radiotherapy equipment sales

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

(d) Radiotherapy equipment disposal service

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

2.21.3 Other Business

Other business includes hospital management services and sales of pharmaceutical, medical consumables and medical equipments to third parties.

(a) 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.

(b) Sales of pharmaceutical, medical consumables and medical equipments

Revenue from sales of pharmaceutical, medical consumables and medical equipments are recognized when control of the inventory has been transferred, being when the inventory is delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the inventory.

2.22 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.

2.23 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

The Group as the lessee: (Continued)

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 payments 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Dividend distribution

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

2.25 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, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statements of financial position are as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Assets		
USD	**7,722**	882
Others	**39**	38
	7,761	920
Liabilities		
USD	**988,584**	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at December 31, 2021, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the year would have been approximately RMB49,043,000 higher/lower (December 31, 2020: approximately RMB44,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

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

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

As at December 31, 2021, bank borrowings of the Group which were bearing at floating rates amounted to approximately RMB1,013,106,000 (December 31, 2020: Nil). For the year ended December 31, 2021, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the pre-tax profit would have been RMB3,617,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

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

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

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

For other receivables and amounts due from related parties, 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 repayments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with 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; and

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Trade receivables

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

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

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

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

(ii) Other receivables and due from related parties

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

As at December 31, 2021 and 2020, the directors of the Company considered that other receivables and due from related parties were performing and within stage 1. The Group considered the 12-month expected credit losses of the other receivables and due from related parties are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

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

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying Amount *RMB'000*
As at December 31, 2021						
Trade and other payables excluding non-financial liabilities	**516,709**	**–**	**–**	**–**	**516,709**	**516,709**
Lease liabilities	**426**	**426**	**–**	**–**	**852**	**808**
Borrowings	**69,055**	**143,573**	**1,116,486**	**–**	**1,329,114**	**1,230,851**
Amounts due to related parties	**48**	**–**	**–**	**–**	**48**	**48**
Total	**586,238**	**143,999**	**1,116,486**	**–**	**1,846,723**	**1,748,416**
As at December 31, 2020						
Trade and other payables excluding non-financial liabilities	166,324	–	–	–	166,324	166,324
Lease liabilities	1,774	426	426	–	2,626	2,484
Total	168,098	426	426	–	168,950	168,808

3.2 Capital management

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

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 and lease liabilities less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the consolidated statements of financial position) plus net debts. For the years ended December 31, 2021 and 2020, the gearing ratio of the Group are as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Net debt	**524,590**	(382,620)
Total capital	**5,002,302**	3,958,757
Gearing ratio	**10%**	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, 2021 and 2020, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the years ended December 31, 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2021 and 2020.

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

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

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

	As at December 31,	
	2021 ***RMB'000***	2020 *RMB'000*
Balance at beginning of the year	**2,196,926**	–
Additions	**3,204,173**	6,810,870
Changes in fair value	**46,279**	43,108
Disposals	**(5,049,978)**	(4,657,052)
Balance at end of the year	**397,400**	2,196,926

The unobservable inputs of wealth management products and structured deposit 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 and structured deposit products with floating rate range 0.8% to 4.2% for the year ended December 31, 2021. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the profit before income tax for the year ended December 31, 2021 would have been approximately increase/decrease RMB3,974,000 (December 31, 2020: RMB21,969,000).

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment assessment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense as percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test. See Note 14 for more details.

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Current and deferred income taxes

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

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

(d) Business combination

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

(e) Share-based compensation expenses

As disclosed in Note 29 the Company has granted share options to the Group's employees. The management have used the binomial option pricing model to determine the total fair value of the awarded options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the expected volatility, expected exercise multiple, and risk-free interest rate, is required to be made by the management in applying the binomial option pricing model. The management applies judgements and estimates, such as employee performance, employee forfeiture rate and achievement of performance and service conditions, in determining share-based payment expenses each period.

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; and

– Other 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 assesses 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.

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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, 2021				
	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	2,150,190	158,425	6,734	–	2,315,349
Cost of revenue	(1,488,454)	(64,903)	(4,493)	–	(1,557,850)
Gross profit	661,736	93,522	2,241	–	757,499
Selling expenses	(20,976)	–	–	–	(20,976)
Administrative expenses	(174,811)	(20,028)	–	(33,684)	(228,523)
Other income	10,155	4,480	–	1,377	16,012
Other gains/(losses) – net	16,542	(3,246)	669	55,798	69,763
Segment profit	492,646	74,728	2,910	23,491	593,775
Finance income					2,155
Finance costs					(23,085)
Finance costs – net					(20,930)
Profit before income tax					572,845
As at December 31, 2021					
Assets					
Segment Assets	3,252,184	138,091	24,042	1,019,555	4,433,872
Goodwill	2,235,276	–	–	–	2,235,276
Deferred income tax assets					17,790
Total Assets					6,686,938
Liabilities					
Segment Liabilities	2,032,214	45,793	–	15,969	2,093,976
Deferred income tax liabilities					115,250
Total Liabilities					2,209,226
Other segment information					
Depreciation of property, plant, and equipment	92,986	10,597	–	2,379	105,962
Amortization of intangible assets	6,704	–	1,364	417	8,485
Additions of non-current assets except for goodwill and deferred income tax assets	1,386,990	12,761	–	384	1,400,135

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business line and nature

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Hospital Business		
– Outpatient services	**741,352**	373,137
– Inpatient services	**1,408,838**	870,088
Radiotherapy Business		
– Radiotherapy center consulting services	**51,774**	50,839
– Radiotherapy equipment licensing	**58,776**	58,955
– Radiotherapy equipment maintenance services	**46,459**	41,021
– Radiotherapy equipment sales	**1,416**	–
Other Business	**6,734**	7,724
Total revenue	**2,315,349**	1,401,764
Including revenue from contracts with customers	**2,256,573**	1,342,809

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,	
	2021	2020
	RMB'000	*RMB'000*
– Inpatient services	**103,277**	62,329
– Radiotherapy center consulting services	**51,774**	50,839
– Radiotherapy equipment maintenance services	**27,930**	28,786
– Other Business	**2,673**	7,724
Over time	**185,654**	149,678
– Inpatient services	**1,305,561**	807,759
– Outpatient services	**741,352**	373,137
– Radiotherapy equipment maintenance services	**18,529**	12,235
– Radiotherapy equipment sales	**1,416**	–
– Other Business	**4,061**	–
At a point in time	**2,070,919**	1,193,131
Revenue from contracts with customers	**2,256,573**	1,342,809

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(c) Geographical information

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

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues for the years end December 31, 2021 and 2020.

6 OTHER INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants *(i)*	**14,593**	7,575
Others	**1,419**	835
	16,012	8,410

(i) 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 26).

7 OTHER GAINS/(LOSSES) – NET

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Realised and unrealised gains on financial assets at FVPL	**46,279**	43,108
Gain on bargain purchase *(Note 14(i))*	**15,449**	–
Net foreign exchange gains/(losses)	**9,812**	(1,324)
Losses on disposal of property, plant and equipment, and intangible assets	**(3,371)**	(1,779)
Effect of deferral of the redemption date of redeemable shares	**–**	(57,852)
Others	**1,594**	(3,682)
	69,763	(21,529)

8 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 9)*	**718,587**	407,752
Cost of pharmaceutical, medical consumables and other inventories	**649,770**	342,461
Depreciation and amortization *(Notes 13 and 14)*	**114,447**	77,540
Consultancy and professional service fees	**92,745**	61,265
Radiotherapy service fees	**76,589**	70,632
Utilities, cleaning and afforestation expenses	**43,126**	24,044
Travelling, entertainment, vehicle and office expenses	**27,776**	21,116
Repair and maintenance expenses	**12,843**	8,085
Taxation expenses	**11,233**	6,122
Marketing and promotion expenses	**6,292**	4,642
Auditor's remuneration		
– Audit	**5,450**	4,350
– Non-audit	**–**	300
Rental expenses	**2,134**	3,354
Expenses in relation to the Listing	**–**	32,267
Other expenses	**46,357**	24,431
	1,807,349	1,088,361

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**640,057**	370,862
Employer's contribution to retirement benefit plan *(i)*	**31,908**	10,714
Allowances and benefits in kind	**39,863**	22,104
Share-based compensation expenses	**6,759**	4,072
	718,587	407,752

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Employee benefit expenses are analysed as follows: (Continued)

(i) The Group has participated in:

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

Under the Corporate Pension Plan, the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contribution was utilised during the year ended December 31, 2021 (December 31, 2020: not applicable) and leaving RMB57,000 available at December 31, 2021 to reduce future contribution. As at December 31, 2021, no contribution was payable to the Corporate Pension Plan (December 31, 2020: not applicable).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2021 include one (December 31, 2020: one) director whose emoluments are reflected in the analysis shown in Note 40(a). The emoluments payable to the remaining four (December 31, 2020: four) individuals during the year are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Salaries and wages	**5,001**	3,795
Bonuses	**1,660**	148
Employer's contribution to retirement benefit plan	**100**	27
Allowances and benefits in kind	**90**	95
Share-based compensation expenses	**292**	1,844
	7,143	5,909

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

Number of individuals

	Year ended December 31,	
	2021	2020
HKD		
1,000,000–1,500,000	**–**	3
1,500,001–2,000,000	**2**	–
2,000,001–2,500,000	**1**	–
2,500,001–3,000,000	**1**	–
3,000,001–3,500,000	**–**	1
	4	4

During the years ended December 31, 2021 and 2020, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS – NET

	Year ended December 31,	
	2021 *RMB'000*	2020 *RMB'000*
Finance income		
Interest income of bank savings	**2,155**	498
Finance costs		
Interest expense on borrowings	**(22,976)**	–
Interest expense on lease liabilities	**(109)**	(141)
Interest expense of redeemable shares	**–**	(48,029)
	(23,085)	(48,170)
Finance costs – net	**(20,930)**	(47,672)

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**104,591**	58,837
Deferred income tax *(Note 15)*	**15,051**	16,714
	119,642	75,551

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

The Company's subsidiary, Chongqing Hygeia Cancer Hospital Co., Ltd., Hezhou Guangji Hospital Co., Ltd. ("Hezhou Guangji Hospital") and Kaiyuan Jiehua Hospital Co., Ltd. (Hereinafter, "Kaiyuan Jiehua Hospital" represents for the pre-reform non-profit entity while "Kaiyuan Jiehua Hospital Co., Ltd." represents for the post-reform entity which is consolidated by the Group). were established in the western region of the PRC. Pursuant to the relevant laws and regulations, entities located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the concession rate of 15% if the operating revenue of the encouraged business in a year accounted for more than 70% of the total income in that year. The construction and service of general medical facilities business of the above entities compliances with the policies which are subject to a tax concession rate of 15% for the years ended December 31, 2021 and 2020.

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("Gamma Star Tech"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% for the years ended December 31, 2021 and 2020. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech will qualify as a "High and New Technology Enterprise" after the expire date and thus will further be subjected to a 15% preferential tax rate.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

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, 2021, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB551,532,000 (December 31, 2020: RMB94,908,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

(b) Numerical reconciliation of income tax expense

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**572,845**	252,612
Tax calculated at applicable statutory tax rate of 25%	**143,211**	63,153
Effect of different tax rates	**(25,905)**	9,787
Items not deductible for tax purposes	**3,613**	3,842
Additional deduction on research and development expenses	**(1,277)**	(1,231)
	119,642	75,551

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2021 and 2020.

	Year ended December 31,	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**441,457**	170,085
Weighted average number of shares in issue	**618,000,000**	446,620,837
Basic earnings per share (in RMB)	**0.71**	0.38

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2021, the Company had share options granted to employees (Note 29). As the exercise price of the share options were higher than the average market price of ordinary shares, the potential ordinary shares were not included in the calculation of the diluted earnings per share as their inclusion would be anti-dilutive.

	Year ended December 31,	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**441,457**	170,085
Diluted profit attributable to owners of the Company (RMB'000)	**441,457**	170,085
Weighted average number of shares in issue	**618,000,000**	446,620,837
Adjustments for restricted share scheme	**–**	2,845,912
Weighted average number of shares for calculating diluted earnings per share	**618,000,000**	449,466,749
Diluted earnings per share (in RMB)	**0.71**	0.38

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Right-of-use for properties RMB'000	Right-of-use for lands RMB'000	Medical equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2020									
Cost	622,302	6,218	207,464	436,379	7,110	39,318	8,000	3,034	1,329,825
Accumulated depreciation	(43,800)	(3,686)	(20,365)	(120,945)	(2,575)	(13,934)	(2,059)	–	(207,364)
Closing net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
Year ended December 31, 2020									
Opening net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
Additions	2,306	1,154	57,900	60,640	2,542	5,916	695	189,018	320,171
Transfers upon completion	11,571	–	97,322	12,090	–	–	–	(120,983)	–
Disposals	–	–	–	(932)	(72)	(2,119)	(9)	–	(3,132)
Depreciation	(17,610)	(1,426)	(5,997)	(38,907)	(1,318)	(6,873)	(1,519)	–	(73,650)
Closing net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
At December 31, 2020									
Cost	636,179	7,372	362,686	500,693	9,540	42,850	8,681	71,069	1,639,070
Accumulated depreciation	(61,410)	(5,112)	(26,362)	(152,368)	(3,853)	(20,542)	(3,573)	–	(273,220)
Closing net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Year ended December 31, 2021									
Opening net book amount	**574,769**	**2,260**	**336,324**	**348,325**	**5,687**	**22,308**	**5,108**	**71,069**	**1,365,850**
Additions	**–**	**–**	**90,494**	**82,326**	**3,907**	**11,302**	**5,218**	**436,487**	**629,734**
Acquisition of subsidiaries	**287,431**	**294**	**135,509**	**72,533**	**3,008**	**12,189**	**14,531**	**67,748**	**593,243**
Business combination	**29,594**	**–**	**11,026**	**3,351**	**552**	**195**	**59**	**–**	**44,777**
Transfers upon completion	**4,799**	**–**	**–**	**18,375**	**–**	**–**	**–**	**(23,174)**	**–**
Disposals	**(68)**	**–**	**–**	**(6,942)**	**(169)**	**(68)**	**–**	**–**	**(7,247)**
Depreciation	**(21,177)**	**(1,815)**	**(10,196)**	**(59,378)**	**(2,560)**	**(10,069)**	**(4,018)**	**–**	**(109,213)**
Closing net book amount	**875,348**	**739**	**563,157**	**458,590**	**10,425**	**35,857**	**20,898**	**552,130**	**2,517,144**
At December 31, 2021									
Cost	**957,820**	**7,666**	**599,715**	**654,618**	**16,224**	**65,452**	**28,489**	**552,130**	**2,882,114**
Accumulated depreciation	**(82,472)**	**(6,927)**	**(36,558)**	**(196,028)**	**(5,799)**	**(29,595)**	**(7,591)**	**–**	**(364,970)**
Closing net book amount	**875,348**	**739**	**563,157**	**458,590**	**10,425**	**35,857**	**20,898**	**552,130**	**2,517,144**

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

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cost of revenue	**74,392**	53,273
Administrative expenses	**31,570**	18,851
Capitalisation	**3,251**	1,526
	109,213	73,650

14 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Contractual rights to provide management services RMB'000	Medical licenses RMB'000	Total RMB'000
At January 1, 2020:					
Cost	300,338	11,455	68,028	28,500	408,321
Accumulated amortization	–	(2,508)	(11,071)	(4,036)	(17,615)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	300,338	8,947	51,957	24,464	385,706
Year ended December 31, 2020:					
Opening net book amount	300,338	8,947	51,957	24,464	385,706
Additions	–	2,650	–	–	2,650
Amortization	–	(2,891)	(1,575)	(950)	(5,416)
Net book amount	300,338	8,706	50,382	23,514	382,940
At December 31, 2020:					
Cost	300,338	14,105	68,028	28,500	410,971
Accumulated amortization	–	(5,399)	(12,646)	(4,986)	(23,031)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	300,338	8,706	50,382	23,514	382,940
Year ended December 31, 2021:					
Opening net book amount	**300,338**	**8,706**	**50,382**	**23,514**	**382,940**
Additions	**–**	**5,914**	**–**	**–**	**5,914**
Acquisition of subsidiaries	**1,934,938**	**6,539**	**–**	**62,000**	**2,003,477**
Business combination	**–**	**331**	**–**	**25,400**	**25,731**
Amortization	**–**	**(4,374)**	**(1,364)**	**(2,747)**	**(8,485)**
Disposals *(i)*	**–**	**–**	**(28,427)**	**–**	**(28,427)**
Net book amount	**2,235,276**	**17,116**	**20,591**	**108,167**	**2,381,150**
At December 31, 2021:					
Cost	**2,235,276**	**26,890**	**27,920**	**115,899**	**2,405,985**
Accumulated amortization	**–**	**(9,774)**	**(7,329)**	**(7,732)**	**(24,835)**
Accumulated impairment	**–**	**–**	**–**	**–**	**–**
Net book amount	**2,235,276**	**17,116**	**20,591**	**108,167**	**2,381,150**

14 INTANGIBLE ASSETS (CONTINUED)

(i) In 2021, Kaiyuan Jiehua Hospital completed a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital. Kaiyuan Jiehua Hospital Co., Ltd., a 70% owned subsidiary of the Group, was duly incorporated and started to operate the for-profit hospital since then. Gamma Star Tech and Kaiyuan Jiehua Hospital entered into the termination agreements on May 31, 2021, to terminate the Hospital Management Business and Radiotherapy Business. Accordingly, the carrying amount of contractual rights to provide management services, RMB12,096,000 as at termination date, has been recognized as the consideration to acquire the business of Kaiyuan Jiehua Hospital. A gain on bargain purchase of RMB15,449,000 was recognized as the consideration less than the fair value of the identifiable net assets of the Kaiyuan Jiehua Hospital.

On November 16, 2021, the Group entered into an agreement to disposal 70% sponsorship right in Handan Zhaotian Orthopedic Hospital to an independent third party as well as termination agreements on November 30, 2021 to terminate the Hospital Management Business, at a cash consideration of RMB17,000,000. Accordingly, the carrying amount of contractual rights to provide management services, RMB16,331,000 as at termination date, was derecognized.

(a) Impairment test for goodwill

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

	Longyan Boai Hospital Co., Ltd. ("Longyan Boai Hospital")	Suzhou Canglang Hospital Co., Ltd. ("Suzhou Canglang Hospital")	Anqiu Hygeia Hospital Co., Ltd. ("Anqiu Hygeia Hospital")	Chengwu Hygeia Hospital Co., Ltd. ("Chengwu Hygeia Hospital")	Etern Group Ltd. ("Etern Group")	Hezhou Guangji Hospital	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020	186,019	104,607	5,182	4,530	–	–	300,338
As at December 31, 2021	**186,019**	**104,607**	**5,182**	**4,530**	**1,449,056**	**485,882**	**2,235,276**

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.

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (Continued)

For Longyan Boai Hospital, Suzhou Canglang Hospital, Etern Group and Hezhou Guangji 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, 2021 and 2020 are as follows:

Longyan Boai Hospital

	Year ended December 31,	
	2021	2020
Revenue (% compound growth rate)	**12%**	15%
Costs and operating expenses (% of revenue)	**77%**	79%
Long-term growth rate	**3%**	3%
Pre-tax discount rate*	**20.52%**	19.98%

Suzhou Canglang Hospital

	Year ended December 31,	
	2021	2020
Revenue (% compound growth rate)	**9%**	11%
Costs and operating expenses (% of revenue)	**78%**	82%
Long-term growth rate	**3%**	3%
Pre-tax discount rate*	**20.54%**	19.53%

Etern Group

	Year ended December 31,	
	2021	2020
Revenue (% compound growth rate)	**24%**	N/A
Costs and operating expenses (% of revenue)	**76%**	N/A
Long-term growth rate	**3%**	N/A
Pre-tax discount rate*	**19.93%**	N/A

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (Continued)

Hezhou Guangji Hospital

	Year ended December 31,	
	2021	2020
Revenue (% compound growth rate)	**15%**	N/A
Costs and operating expenses (% of revenue)	**81%**	N/A
Long-term growth rate	**3%**	N/A
Pre-tax discount rate*	**18.22%**	N/A

* The performance of Longyan Boai Hospital, Suzhou Canglang Hospital, Etern Group and Hezhou Guangji Hospital have generally been in line with management's expectations. In addition, the industry in which the hospitals operated, the market and regulatory environment were also largely stable for the years ended December 31, 2021 and 2020. The lower pre-tax discount rate of Hezhou Guangji Hospital was due to the concession CIT rate of 15% which stated in Note 11. Hence, there were no significant changes in the operating risk and the expected returns required by investors, which have resulted in relatively stable pre-tax discount rates for the years ended December 31, 2021 and 2020.

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

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

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

Based on management's assessment on the recoverable amounts of the subsidiaries or group acquired, no impairment provision was considered necessary to provide as at December 31, 2021.

14 INTANGIBLE ASSETS (CONTINUED)

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

The net book amount of contractual rights to provide management services as at December 31, 2020 and 2021 are as below:

	Kai yuan Jiehua Hospital *RMB'000*	Handan Renhe Hospital *RMB'000*	Handan Zhaotian Orthopedic Hospital *RMB'000*	Total *RMB'000*
As at December 31, 2020	12,356	21,289	16,737	50,382
As at December 31, 2021	**–**	**20,591**	**–**	**20,591**

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

As aforesaid in Note 14(i), the contractual rights to provide management services of Kaiyuan Jiehua Hospital and Handan Zhaotian Orthopedic Hospital were derecognized due to business combination and disposal, respectively.

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

Based on management's assessment, no material adverse indication shows that contractual rights have suffered any impairment during the year ended December 31, 2021.

14 INTANGIBLE ASSETS (CONTINUED)

(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,	
	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**5,045**	3,710
Administrative expenses	**3,440**	1,706
	8,485	5,416

15 DEFERRED INCOME TAX

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Deferred tax assets		
– to be realised within 12 months	**5,132**	6,438
– to be realised after more than 12 months	**19,108**	8,549
	24,240	14,987
Deferred tax liabilities		
– to be realised within 12 months	**10,820**	2,637
– to be realised after more than 12 months	**110,880**	43,660
	121,700	46,297

15 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**15,289**	12,189
Employee benefits	**–**	118
Provisions	**6,877**	1,182
Unrealised profits of intra-group transaction	**2,074**	854
Impairment of intangible assets	**–**	644
Total deferred tax assets	**24,240**	14,987
Set-off of deferred tax liabilities pursuant to set-off provisions	**(6,450)**	(2,698)
Net deferred tax assets	**17,790**	12,289

	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, 2020	24,016	61	1,147	762	662	26,648
Credit/(charged) to profit or loss	(11,827)	57	35	92	(18)	(11,661)
As at December 31, 2020	12,189	118	1,182	854	644	14,987
As at January 1, 2021	**12,189**	**118**	**1,182**	**854**	**644**	**14,987**
Acquisition of subsidiaries	**1,617**	**–**	**5,670**	**–**	**–**	**7,287**
Credit/(charged) to profit or loss	**1,483**	**(118)**	**25**	**1,220**	**(644)**	**1,966**
As at December 31, 2021	**15,289**	**–**	**6,877**	**2,074**	**–**	**24,240**

15 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Intangible assets	**23,625**	5,877
Property, plant and equipment	**98,075**	40,420
Total deferred tax liabilities	**121,700**	46,297
Set-off of deferred tax assets pursuant to set-off provisions	**(6,450)**	(2,698)
Net deferred tax liabilities	**115,250**	43,599

Movements	Property, plant and equipment	Intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	35,128	6,116	41,244
Charged/(credit) to profit or loss	5,292	(239)	5,053
At December 31, 2020	40,420	5,877	46,297
At January 1, 2021	**40,420**	**5,877**	**46,297**
Acquisition of subsidiaries	**37,304**	**14,577**	**51,881**
Business combination	**2,695**	**3,810**	**6,505**
Charged/(credit) to profit or loss	**17,656**	**(639)**	**17,017**
At December 31, 2021	**98,075**	**23,625**	**121,700**

16 INVENTORIES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Pharmaceuticals	**67,555**	26,116
Medical consumables	**32,655**	21,456
Spare parts	**6,970**	3,385
	107,180	50,957

For the year ended December 31, 2021, the cost of inventories recognized as expense and included in Cost of revenue amounted to RMB649,770,000 (December 31, 2020: RMB342,461,000).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 19)*	**707,069**	385,104
Amounts due from related parties *(Note 34)*	**9,460**	12,824
Trade and other receivables excluding non-financial assets *(Note 20)*	**470,500**	267,687
	1,187,029	665,615
Financial assets at fair value through profit or loss	**397,400**	2,196,926
	1,584,429	2,862,541
Financial liabilities		
Liabilities at amortized cost:		
Borrowings *(Note 24)*	**1,230,851**	–
Trade and other payables excluding non-financial liabilities	**516,709**	166,324
Amounts due to related parties *(Note 34)*	**48**	–
Lease liabilities *(Note 27)*	**808**	2,484
	1,748,416	168,808

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Structured deposit products	**200,027**	691,756
Wealth management products	**197,373**	1,505,170
	397,400	2,196,926

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

The structured deposit products and wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 0.8%-4.2% per annum for the year ended December 31, 2021 (December 31, 2020: 0.35%-7.31%).

19 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank and in hand	**707,069**	385,104
	707,069	385,104

Cash and deposits were denominated in the following currencies:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
RMB	**699,308**	384,184
USD	**7,722**	882
HKD	**39**	38
	707,069	385,104

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Included in current assets		
Trade receivables *(a)*	**445,218**	256,012
Other receivables		
– Deposits receivables	**11,922**	5,547
– Others	**13,360**	6,128
	25,282	11,675
Prepayments to suppliers	**29,163**	8,843
	499,663	276,530
Included in non-current assets		
Prepayments for property, plant and equipment	**50,082**	17,885
	549,745	294,415

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**323,128**	177,974
91 to 180 days	**67,296**	45,545
181 to 365 days	**38,880**	29,478
1 to 2 years	**13,955**	2,393
2 to 3 years	**1,409**	622
3 to 4 years	**550**	–
	445,218	256,012

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

The Group's trade receivables were denominated in RMB.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of shares *USD*	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*
Authorised :				
At January 1, 2021 and December 31, 2021	5,000,000,000	50,000.0	–	–
Issued and fully paid :				
At January 1, 2021	618,000,000	6,180.0	42	7,123,460
Dividends	–	–	–	(74,081)
Exercise of employee share scheme	–	–	–	33,494
At December 31,2021	618,000,000	6,180.0	42	7,082,873
At December 31, 2019 and January 1, 2020	17,241,560	170.1	–	2,731,464
Conversion from redeemable shares into ordinary shares pursuant to IPO	–	–	–	2,107,892
Exercise of employee share scheme	–	2.3	–	62,563
Capitalisation issue	462,758,440	4,627.6	33	(33)
Shares issued pursuant to the IPO	120,000,000	1,200.0	8	2,024,247
Shares issued upon over-allotment	18,000,000	180.0	1	298,708
Share issuance cost	–	–	–	(92,397)
Share issuance cost of over-allotment	–	–	–	(8,984)
At December 31, 2020	618,000,000	6,180.0	42	7,123,460

22 OTHER RESERVES

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**(2,747,909)**	(2,680,702)
Exercise of employee share scheme	**(33,494)**	(29,188)
Non-controlling interests arising on exercise of employee share scheme	**–**	(66,634)
Transfer to statutory reserve	**30,490**	24,543
Share-based compensation expense	**6,759**	4,072
Acquired additional shares of a subsidiary *(i)*	**(185,448)**	–
At the end of the year	**(2,929,602)**	(2,747,909)

(i) On June 24, 2021 and December 21, 2021, the Group entered into an equity transfer agreement to purchase an aggregate of approximately 17.62% and 0.82% equity interest respectively in Shanxian Hygeia Hospital Co., Ltd. ("Shanxian Hygeia Hospital"), a subsidiary of the Group, at a cash consideration of RMB254,274,000 and RMB11,836,000, respectively. The transactions are completed in July and December 2021. After the completion, the Company will indirectly hold an aggregate of 100% equity interest in Shanxian Hygeia Hospital. The Group paid RMB254,274,000 on July 15, 2021. The remaining cash consideration was paid on January 4, 2022.

23 RETAINED EARNINGS/(ACCUMULATED LOSSES)

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**(107,826)**	(253,368)
Profit for the year	**441,457**	170,085
Transfer to statutory reserves	**(30,490)**	(24,543)
At the end of the year	**303,141**	(107,826)

24 BORROWINGS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Bank borrowings	**1,230,851**	–
	1,230,851	–
Included in non-current liabilities:		
– Long-term bank borrowings-secured *(i)*	**1,230,851**	–
Less: current portion	**(34,373)**	–
	1,196,478	–
Included in current liabilities:		
– Current portion of long-term bank borrowings	**34,373**	–
	34,373	–
Total	**1,230,851**	–

(i) Except for a bank borrowing of RMB44,000,000 (2020: Nil) as at 31 December 2021, the remaining long term bank borrowings were secured by equity pledge of certain subsidiaries of the Group.

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

	As at December 31, 2021
Bank borrowings	**2.66%**

(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, 2021
Fixed-rate bank borrowings	**4.30%**
Floating-rate bank borrowings	**London Interbank Offered Rate +112 points; Loan Prime Rate +60 points**

24 BORROWINGS (CONTINUED)

(c) The carrying amounts of the borrowings approximated their fair values as at December 31, 2021 as the impact of discounting of borrowings with fixed interest rates was not significant.

(d) The Group's borrowings were repayable based on scheduled repayments as follows:

	As at December 31, 2021 *RMB'000*
Within 1 year	34,373
Between 1 and 2 years	113,236
Between 2 and 5 years	1,083,242
	1,230,851

(e) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities for the year ended December 31, 2021.

25 BUSINESS COMBINATIONS

(a) Etern Group

On April 25, 2021, the Group entered into a share purchase agreement to acquire the entire equity interest in Etern Group for a cash consideration of the USD equivalent of RMB1,734,327,000. As of above share purchase agreement signing date, Etern Group indirectly holds 98% equity interest in Suzhou Yongding Hospital Co., Ltd. ("Suzhou Yongding Hospital"), a private for-profit Class II general hospital in Suzhou City, Jiangsu Province, the PRC. Details of the acquisition are set out in the Company's circular dated May 14, 2021.

The acquisition was completed on April 28, 2021, and after the acquisition, Etern Group became a direct wholly-owned subsidiary of the Company and Suzhou Yongding Hospital became an indirect non-wholly-owned subsidiary of the Company, and the financial results of them were consolidated into the financial statements of the Group.

25 BUSINESS COMBINATIONS (CONTINUED)

(a) Etern Group (Continued)

The fair values of the identifiable assets and liabilities of the Etern Group and its subsidiaries as at the date of acquisition are set out as follows:

	At date of acquisition Fair value *RMB'000*
Property, plant and equipment	374,281
Intangible assets	45,939
Inventories	21,250
Trade, other receivables and prepayments	20,630
Cash and cash equivalents	113,308
Deferred income tax liabilities	(35,499)
Deferred revenue	(195)
Trade and other payables	(151,228)
Contract liabilities	(10,114)
Current income tax liabilities	(4,287)
Lease liabilities	(240)
Borrowings	(85,000)
Fair value of net identifiable assets	288,845
Non-controlling interests	(3,574)
Goodwill	1,449,056
Total purchase consideration	1,734,327
Total purchase consideration comprises:	
Cash paid during the year ended December 31, 2021	1,714,850
Other payable	19,477

The goodwill is attributable to Etern Group's strong position and profitability in the hospital business and synergies expected to arise after the Company's acquisition. It has been allocated to the Hospital Business segment. None of the goodwill is expected to be deductible for tax purposes.

25 BUSINESS COMBINATIONS (CONTINUED)

(a) Etern Group (Continued)

(i) Acquisition related cost

Acquisition-related costs of RMB4,182,000 are included in administrative expenses in profit or loss, in which for the year ended December 31, 2021 and 2020 are RMB2,932,000 and RMB1,250,000 respectively.

(ii) Revenue and profit contribution

The acquired business contributed revenue of RMB409,686,000 and net profit of RMB68,869,000 to the Group for the period from April 28, 2021 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated revenue and consolidated profit after tax for the year ended December 31, 2021 would have been RMB538,568,000 and RMB64,155,000 respectively.

(b) Hezhou Guangji Hospital

On May 26, 2021, the Group entered into a share purchase agreement to acquire the entire equity interest in Hezhou Guangji Hospital for a maximum consideration of RMB641,570,000. Hezhou Guangji Hospital is a private for-profit Class III general hospital in HeZhou City, Guangxi Zhuang Autonomous Region, the PRC. Details of the acquisition are set out in the Company's circular dated June 25, 2021.

The acquisition was completed on July 7, 2021, and after the acquisition, Hezhou Guangji Hospital became an indirect non-wholly-owned subsidiary of the Company, and the financial results of it was consolidated into the financial statements of the Group.

25 BUSINESS COMBINATIONS (CONTINUED)

(b) Hezhou Guangji Hospital (Continued)

The fair values of the identifiable assets and liabilities of the Hezhou Guangji Hospital as at the date of the acquisition are set out as follows:

	At date of acquisition Fair value *RMB'000*
Property, plant and equipment	218,962
Intangible assets	22,600
Deferred income tax assets	7,287
Inventories	14,135
Trade, other receivables and prepayments	75,823
Cash and cash equivalents	92,898
Deferred income tax liabilities	(16,382)
Trade and other payables *(a)*	(162,513)
Contract liabilities	(19,940)
Financial guarantee contracts	(76,545)
Borrowings	(38,000)
Fair value of net identifiable assets	118,325
Non-controlling interests	(1,183)
Goodwill	485,882
Actual purchase consideration	603,024
Add: Indemnification assets *(b)*	38,546
Total purchase consideration in equity transfer agreement	641,570
Total purchase consideration comprises:	
Cash paid during the period ended December 31, 2021	514,457
Other payable	127,113

(a) Trade and other payables included the declared dividends of RMB25,000,000 of which RMB24,750,000 was paid on July 28, 2021.

(b) Hezhou Guangji Hospital provided corporate guarantees to various banks and financial institutions for loan facilities granted to several related parties prior to the acquisition. As at the equity transfer agreement signing date, the fair value of historical guarantees was RMB87,724,000. Pursuant to the terms as set out in the equity transfer agreement, the amount exceeding a liability cap of RMB49,178,000, which is RMB38,546,000, will be borne by the vendor. Accordingly, an indemnification asset is recognized by the Group.

Details of the historical guarantees and relevant equity transfer agreement terms are set out in the Company's circular dated June 25, 2021.

As at December 31, 2021, all above historical guarantees have been cleared completely and no further profit or loss impact to the Group.

25 BUSINESS COMBINATIONS (CONTINUED)

(b) Hezhou Guangji Hospital (Continued)

The goodwill is attributable to Hezhou Guangji Hospital strong position and profitability in the hospital business and synergies expected to arise after the Company's acquisition. It has been allocated to the Hospital Business segment. None of the goodwill is expected to be deductible for tax purposes.

(i) Acquisition related cost

Acquisition-related costs of RMB5,252,000 are included in administrative expenses in profit or loss, in which for the year ended December 31, 2021.

(ii) Revenue and profit contribution

The acquired business contributed revenue of RMB191,615,000 and net profit of RMB38,416,000 to the Group for the period from July 7, 2021 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated revenue and consolidated profit after tax for the year ended December 31, 2021 would have been RMB355,981,000 and RMB21,460,000 respectively.

26 DEFERRED REVENUE

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grant	**34,431**	26,690
To be realised within 12 months	**1,445**	719
To be realised after more than 12 months	**32,986**	25,971
Total	**34,431**	26,690

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.

27 LEASE LIABILITIES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Minimum lease payments due		
– Within 1 year	**426**	1,774
– Between 1 and 2 years	**426**	426
– Between 2 and 5 years	**–**	426
	852	2,626
Less: future finance charges	**(44)**	(142)
Present value of lease liabilities	**808**	2,484
Within 1 year	**392**	1,677
Between 1 and 2 years	**416**	391
Between 2 and 5 years	**–**	416
	808	2,484

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 payments including lease liabilities, interest expenses on leases and variable lease payments, for the year ended December 31, 2021 were RMB2,025,000 (December 31, 2020: RMB1,507,000).

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

A 5% increase in revenue shares across all divisions in the Group with such variable lease contracts, for the year ended December 31, 2021 would increase total lease payments by approximately RMB101,000 (2020: RMB126,000).

28 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Provision for asset retirement obligations	**8,044**	7,880
	8,044	7,880

29 SHARE-BASED COMPENSATION EXPENSE

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

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

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

The above transaction was considered as equity-settled share-based payment to employees and others in exchange for their services. The fair value of the Share Options granted to the Eligible Persons on the Grant Date, as determined by a professional valuation firm, was RMB168,100,000. The significant inputs into the Binomial valuation model were listed as below:

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

The Group recorded the share-based compensation expenses of RMB6,750,000 in the consolidated statements of comprehensive income for the year ended December 31, 2021 for the aforesaid Share Options (December 31, 2020: not applicable).

30 TRADE AND OTHER PAYABLES

	As at December 31,	
	2021 **RMB'000**	2020 RMB'000
Trade payables *(a)*	**308,296**	118,452
Salaries payable	**187,592**	61,357
Payables of considerations for acquisition equity interest of subsidiaries	**158,525**	720
Deposits payable	**3,962**	4,080
Other taxes payable	**10,869**	9,587
Payables of surcharge for tax overdue payments	**8,247**	7,578
Payables for construction projects	**21,043**	15,515
Prepayments received for radiotherapy equipment licensing	**9,044**	10,659
Payables for intangible assets acquisition	**–**	206
Others	**24,883**	9,114
	732,461	237,268

(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,	
	2021 **RMB'000**	2020 RMB'000
0 to 90 days	**249,008**	100,135
91 to 180 days	**40,852**	8,253
181 to 365 days	**7,380**	2,783
Over 1 year	**11,056**	7,281
	308,296	118,452

31 CONTRACT LIABILITIES

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

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Hospital Business		
– Outpatient services	5,097	3,344
– Inpatient services	20,405	7,957
Radiotherapy Business		
– Radiotherapy equipment maintenance service	285	155
– Radiotherapy equipment sales	3,690	–
Others	3,008	–
	32,485	11,456

(a) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Hospital Business		
– Outpatient services	3,344	1,887
– Inpatient services	7,957	7,189
Radiotherapy Business		
– Radiotherapy equipment maintenance service	5	656
	11,306	9,732

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

During the year ended December 31, 2021, final dividends of RMB0.12 per share for the year ended December 31, 2020 was declared to owners of the Company. The aggregate amount of the final dividends declared amounted to RMB74,081,000 (the year ended December 31, 2021: Nil). The dividends were paid on July 30, 2021.

33 NET CASH GENERATED FROM OPERATION

Reconciliation from profit before income tax to cash generated from operations:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**572,845**	252,612
Adjustment for:		
Interest income *(Note 10)*	**(2,155)**	(498)
Interest expenses *(Note 10)*	**23,085**	48,170
Depreciation of property, plant and equipment *(Note 13)*	**105,962**	72,124
Amortization of intangible assets *(Note 14)*	**8,485**	5,416
Net loss on disposals of property, plant and equipment and intangible assets *(Note 7)*	**3,371**	1,779
Realised and unrealised gains on financial assets at FVPL *(Note 7)*	**(46,279)**	(43,108)
Share-based compensation expense *(Note 29)*	**6,759**	4,072
Gain on bargain purchase *(Note 7)*	**(15,449)**	–
Effect of deferral of the redemption date of redeemable shares	**–**	57,852
Operating cash flows before changes in working capital	**656,624**	398,419
Changes in working capital:		
Increase in inventories	**(20,257)**	(3,941)
Increase in trade and other receivables, prepayments	**(80,041)**	(62,003)
Increase in trade and other payables, and contract liabilities	**(51,939)**	16,892
Cash generated from operations	**504,387**	349,367

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net book amount	**23,578**	3,132
Net loss on disposal of property, plant and equipment and intangible assets	**(3,371)**	(1,779)
Proceeds from disposal of property, plant and equipment and intangible assets	**20,207**	1,353

For the years ended December 31, 2021 and 2020, except as disclosed in this report, the Group did not have any material non-cash investing and financing activities.

33 NET CASH GENERATED FROM OPERATION (CONTINUED)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in the debt for each of the period presented.

	Bank borrowings *RMB'000*	Lease liability *RMB'000*	Redeemable Shares *RMB'000*	Net loan balance due to related parties *RMB'000*
Balance as at January 1, 2020	–	2,604	2,030,070	11,904
Cash flows	–	(1,507)	(28,059)	(11,904)
Interest expenses	–	141	48,029	–
Lease addition	–	1,246	–	–
Non-cash decrease	–	–	(2,050,040)	–
Balance as at December 31, 2020	–	2,484	–	–
Balance as at January 1, 2021	**–**	**2484**	**–**	**–**
Cash flows	**1,107,851**	**(2,025)**	**–**	**–**
Additions from acquisitions	**123,000**	**240**	**–**	**–**
Interest expenses	**–**	**109**	**–**	**–**
Balance as at December 31, 2021	**1,230,851**	**808**	**–**	**–**

34 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.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(a) Names and relationships with related parties (Continued)

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2021 and 2020:

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

(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,	
	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and bonus	**5,930**	3,886
Employer's contribution to retirement benefit plan	**319**	23
Allowances and benefits in kind	**323**	208
Share-based compensation expenses	**844**	2,973
	7,416	7,090

34 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(c) Transactions with related parties

For the years end December 31, 2021 and 2020, 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,	
	2021	2020
	RMB'000	*RMB'000*
Recurring transactions		
Radiotherapy Business Revenue		
– Handan Renhe Hospital *(i)*	**3,312**	11,235
– Kaiyuan Jiehua Hospital *(ii)*	**6,281**	15,786
Hospital Management Business Revenue		
– Handan Renhe Hospital *(i)*	**–**	2,534
– Kaiyuan Jiehua Hospital *(ii)*	**2,673**	5,190
Depreciation on right-of-use assets and interest expense on lease liabilities		
– Ms. Zhu	**934**	990
– Shanghai Rongqiao Biotechnology Co., Ltd.	**783**	515
Sales of pharmaceuticals, medical consumables and medical equipments		
– Handan Renhe Hospital	**456**	–

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

(i) Due to the Covid-19 pandemic, the hospital business of Handan Renhe Hospital has been affected adversely. According to the hospital management agreement, the Group exempted Handan Renhe Hospital's management service fee for 2021 to relieve its burden. Based on management's assessment, above matters were one-off events, no material adverse indication shows that the corresponding contractual right has suffered any impairment as at December 31, 2021 (See Note 14(b)).

(ii) As described in Note 14(i), Kaiyuan Jiehua Hospital completed a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital in 2021. The Hospital Management Business and Radiotherapy Business were terminated accordingly on May 31, 2021.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(d) Balances with related parties

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Amounts due from related parties		
Trade		
– Handan Renhe Hospital	**9,460**	8,949
– Kaiyuan Jiehua Hospital	**–**	3,806
– Shanghai Rongqiao Biotechnology Co., Ltd.	**–**	69
	9,460	12,824

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Amounts due to related parties		
Trade		
– Handan Renhe Hospital	**48**	–
Lease liabilities to		
– Shanghai Rongqiao Biotechnology Co., Ltd.	**808**	–

As at December 31, 2021 and 2020, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

35 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,	
	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment	**449,662**	213,631
Intangible assets	**94**	539
	449,756	214,170

36 CONTINGENT LIABILITIES

As at December 31, 2021 and 2020, the Group did not have any material contingent liabilities.

37 SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company repurchased a total of 1,275,800 ordinary shares on the HKSE with an aggregate amount of HKD44,047,580. The ordinary shares were repurchased in January 2022 and February 2022. As of the approval date of these consolidated financial statements by the Board of the Company on March 30, 2022, the repurchased ordinary shares had been cancelled by the Company.

38 PARTICULARS OF SUBSIDIARIES

The Company's subsidiaries comprising the Group at December 31, 2021 are set out below. All of these are limited liability companies and the country of incorporation or registration is also their principal place of business:

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital *'000*	Principal activities	Attributable equity interest to the Group As at December 31, 2021
Directly held:				
Hygeia Healthcare Group Co., Limited	BVI, October 2, 2018	USD50	Investment holding	100%
Etern Group Ltd. *(v)*	BVI, April 28, 2021	–	Investment holding	100%
Indirectly held:				
Hygeia Healthcare (HK) Co., Limited	Hong Kong, October 19, 2018	HKD10	Investment holding	100%
Shanghai Hygeia Medical Technology (Group) Co., Ltd. *(i)(vi)* (上海海吉亞醫療科技(集團)有限公司)	PRC, January 10, 2007	RMB250,000	Corporate management	100%
Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司)	PRC, April 24, 2015	RMB80,000	Investment holding company	100%
Shanxian Hygeia Hospital Co., Ltd. *(ii)* (單縣海吉亞醫院有限公司)	PRC, November 20, 2012	RMB234,187	Healthcare Services	100%
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%
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%
Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司)	PRC, November 24, 2009	RMB150,000	Hospital management and production of our proprietary SRT equipment	100%
Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司)	PRC, January 12, 2017	RMB26,000	Healthcare Services	100%
Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司)	PRC, November 9, 2015	RMB71,429	Healthcare Services	100%

38 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2021
Indirectly held: (Continued)				
Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司)	PRC, January 23, 2013	RMB157,143	Healthcare Services	100%
Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司)	PRC, December 26, 2016	RMB21,429	Healthcare Services	100%
Suzhou Suchen Medical Investment Development Co., Ltd. (蘇州蘇辰醫療投資發展有限公司)	PRC, November 27, 2015	RMB12,000	Investment holding company	100%
Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司)	PRC, September 8, 2015	RMB17,150	Healthcare Services	100%
Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司)	PRC, November 27, 2015	RMB18,857	Healthcare Services	100%
Hygeia (Shanghai) Hospital Management Co., Ltd. (海吉亞(上海)醫院管理有限公司)	PRC, April 08, 2019	RMB50,000	Investment holding company	100%
Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司)	PRC, June 20, 2019	RMB50,000	Healthcare Services	100%
Dezhou Hygeia Hospital Co., Ltd. *(vi)* (德州海吉亞醫院有限公司)	PRC, December 18, 2019	RMB50,000	Healthcare Services	100%
Shanghai Gamma Star Medical Information Consulting Co., Ltd. (上海伽瑪星醫療資訊諮詢有限公司)	PRC, August 23, 2019	RMB10,000	Corporate management	100%
Liaocheng Hygeia Supply Chain Management Co., Ltd. *(i)* (聊城海吉亞供應鏈管理有限公司)	PRC, May 27, 2020	USD50,000	Supply chain	100%
Wuxi Hygeia Hospital Co., Ltd. (無錫海吉亞醫院有限公司)	PRC, July 22, 2020	RMB50,000	Healthcare Services	100%
Shanghai Hygeia Medical Butler Enterprise Service Co., Ltd. (上海海吉亞醫管家企業服務有限公司)	PRC, September 10, 2020	RMB1,000	Corporate management	100%
Dezhou Hygeia Supply Chain Management Co., Ltd. *(i)* (德州海吉亞供應鏈管理有限公司)	PRC, November 13, 2020	USD10,000	Supply chain	100%
Hygeia Doctor Group (Shenzhen) Co., Ltd. (海吉亞醫生集團(深圳)有限公司)	PRC, November 13, 2020	RMB1,000	Corporate management	100%
Dezhou Gamma Star Technology Development Co., Ltd. *(iii)* (德州伽瑪星科技發展有限公司)	PRC, November 13, 2020	RMB65,100	Investment holding company	100%
Dezhou Qiushi Investment Management Co., Ltd. *(iii)* (德州秋拾投資管理有限公司)	PRC, November 13, 2020	RMB65,100	Investment holding company	100%

38 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2021
Indirectly held: (Continued)				
Medical Management (Shanghai) Co., Ltd. (海吉亞醫療管理(上海)有限公司)	PRC, January 5, 2021	RMB100,000	Corporate management	100%
Etern Healthcare (HK) Limited *(v)*	Hong Kong, April 28, 2021	–	Investment holding	100%
Suzhou Yongding Medical Management Service Co., Ltd. *(i)(v)* (蘇州永鼎醫療管理服務有限公司)	PRC, April 28, 2021	RMB80,000	Corporate management	100%
Suzhou Yongding Hospital Co., Ltd. *(v)* (蘇州永鼎醫院有限公司)	PRC, April 28, 2021	RMB75,000	Healthcare Services	98%
Longyan Hygeia Hospital Co., Ltd. *(iv)* (龍岩海吉亞醫院有限公司)	PRC, June 7, 2021	RMB50,000	Healthcare Services	100%
Changshu Hygeia Hospital Co., Ltd. *(iv)* (常熟海吉亞醫院有限公司)	PRC, June 29, 2021	RMB100,000	Healthcare Services	100%
Hezhou Guangji Hospital Co., Ltd. *(v)* (賀州廣濟醫院有限公司)	PRC, July 7, 2021	RMB59,201	Healthcare Services	99%
Anyang Hygeia Hospital Co., Ltd. *(iv)* (安陽海吉亞醫院有限公司)	PRC, July 29, 2021	RMB50,000	Healthcare Services	100%
Qihai (Chongqing) Pharmaceutical Co., Ltd. *(iv)* (栖海(重慶)醫藥有限公司)	PRC, August 11, 2021	RMB10,000	Supply chain	100%
Zhuhai Bihai Enterprise Management Consulting Co., Ltd. *(i)(iv)* (珠海碧海企業管理諮詢有限公司)	PRC, August 17, 2021	RMB50,000	Corporate management	100%
Kaiyuan Jiehua Hospital Co., Ltd. *(v)* (開遠解化醫院有限公司)	PRC, May 31, 2021	RMB5,000	Healthcare Services	70%
Liaocheng Hygeia Medical Butler Enterprise Service Co., Ltd. *(iv)* (聊城海吉亞醫管家企業服務有限公司)	PRC, October 29, 2021	RMB1,000	Corporate management	100%

(i) These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

(ii) The percentage of equity interest is increased from 81.56% to 100% (Note 22).

(iii) These subsidiaries were deregistered during the year.

(iv) These subsidiaries were newly established during the year.

(v) These subsidiaries were newly consolidated during this year.

(vi) These subsidiaries changed the register name.

39 BALANCE SHEET OF THE COMPANY

		As at December 31,	
	Notes	**2021** *RMB'000*	2020 *RMB'000*
ASSETS			
Non-current assets			
Amount due from a subsidiary		**1,590,735**	2,426,618
Investment in a subsidiary		**6,199,242**	4,477,633
Total non-current assets		**7,789,977**	6,904,251
Current assets			
Prepayments and other receivables		**123**	–
Cash and cash equivalents		**7,295**	2,707
Total current assets		**7,418**	2,707
Total assets		**7,797,395**	6,906,958
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**7,082,915**	7,123,502
Shares held for employee share scheme		**–**	–*
Other reserves	*39(a)*	**(64,336)**	(37,601)
Accumulated losses	*39(b)*	**(231,838)**	(219,316)
Total equity		**6,786,741**	6,866,585
LIABILITIES			
Non-current liabilities			
Long-term Borrowings		**969,106**	–
Total non-current liabilities		**969,106**	–
Current liabilities			
Trade and other payables		**22,094**	2,376
Amounts due to subsidiaries		**19,454**	37,997
Total current liabilities		**41,548**	40,373
Total liabilities		**1,010,654**	40,373
Total equity and liabilities		**7,797,395**	6,906,958

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

39 BALANCE SHEET OF THE COMPANY (CONTINUED)

(a) Reserve movement of the company

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**(37,601)**	(12,165)
Share-based compensation expense for a subsidiary	**6,759**	3,752
Exercise of employee share scheme	**(33,494)**	(29,188)
At the end of the year	**(64,336)**	(37,601)

(b) Accumulated losses of the company

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**(219,316)**	(79,048)
Loss for the year	**(12,522)**	(140,268)
At the end of the year	**(231,838)**	(219,316)

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended December 31, 2021:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2021							
Executive directors							
Mr. Zhu Yiwen *(i)*	–	239	63	335	36	36	709
Mr. Ren Ai	–	464	755	143	57	57	1,476
Ms. Cheng Huanhuan *(ii)*	–	456	422	96	57	57	1,088
Mr. Zhang Wenshan	–	394	359	72	57	57	939
Ms. Jiang Hui	–	640	274	72	57	57	1,100
Non-executive directors							
Mr. Fang Min *(iii)*	–	–	–	–	–	–	–
Mr. Cao Yanlin *(iv)*	–	–	–	–	–	–	–
Independent non-executive directors *(v)*							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Chen Penghui	240	–	–	–	–	–	240
Mr. Ye Changqing	240	–	–	–	–	–	240
	720	2,193	1,873	718	264	264	6,032

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2020:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2020							
Executive directors							
Mr. Zhu Yiwen	–	37	–	–	4	4	45
Mr. Ren Ai	–	465	135	1,129	42	4	1,775
Ms. Cheng Huanhuan	–	446	121	–	39	3	609
Mr. Zhang Wenshan	–	328	59	–	41	4	432
Ms. Jiang Hui	–	518	73	–	42	4	637
Non-executive directors							
Mr. Fang Min	–	–	–	–	–	–	–
Mr. Zhao Yan	–	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Liu Yanqun	120	–	–	–	–	–	120
Mr. Chen Penghui	120	–	–	–	–	–	120
Mr. Ye Changqing	120	–	–	–	–	–	120
	360	1,794	388	1,129	168	19	3,858

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

(i) Mr. Zhu Yiwen had been appointed as a non-executive director and the vice chairman of the Company on March 30, 2021, and resigned from his positions as the vice chairman of the Company and was appointed as the chairman of the Company on July 6, 2021, and has been re-designated as an executive director and appointed as the Chief Executive Officer of the Group on August 23, 2021.

(ii) Ms. Cheng Huanhuan had been appointed as the Chief Executive Officer of the Group on December 24, 2019, and has been re-designated as the Co-chief Executive Officer of the Group on August 23, 2021.

(iii) Mr. Fang Min resigned from his positions as the chairman of the Company on July 6, 2021 and resigned from his positions as the non-executive director of the Company on October 13, 2021.

(iv) Mr. Cao Yanling resigned from his positions as the non-executive director of the Company on March 30, 2021.

(v) Mr. Liu Yanqun, Mr. Chen Penghui and Mr. Ye Changqing were appointed as the Company's independent non-executive directors on September 18, 2019.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 34, 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, 2021 and 2020.

Definitions and Glossaries

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

"AGM"	annual general meeting of the Company
"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders of the Company
"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd. (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of the Company
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on June 8, 2020 which became effective on the Listing Date (as amended from time to time)
"Associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Changshu Hygeia Hospital"	Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"China" or the "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

Definitions and Glossaries

"Chongqing Hygeia Hospital"	Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Class III" or "Class III hospitals"	the largest and best regional hospitals designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"Company" or "Hygeia Healthcare"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals, details of which are described in the section headed "Directors' Report – Contractual Arrangements" in this annual report
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
"COVID-19"	Novel coronavirus pneumonia
"CT"	computerized tomography, a type of scan that makes use of computer-processed combinations of many X-ray images taken from different angles to produce cross-sectional tomographic images of specific areas of a scanned object, allowing the user to see inside the object without cutting
"Dezhou Hygeia Hospital"	Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司) (formerly known as Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司)), a limited liability company established in the PRC on December 18, 2019 and a subsidiary of the Company
"Director(s)"	director(s) of the Company
"Eligible Persons"	any director or employee of the Group and any medical expert who in the sole discretion of the Board has contributed or will contribute to the Group
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"FTSE Russell"	FTSE Russell, being the second largest index compilation company globally

"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a wholly-owned subsidiary of the Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "we", or "us"	the Company together with its subsidiaries
"Handan Renhe Hospital"	Handan Renhe Hospital (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which we acquired on July 31, 2011 and the Group's Managed Hospital
"Hezhou Guangji Hospital"	Hezhou Guangji Hospital Co., Ltd. (賀州廣濟醫院有限公司), a limited liability company incorporated under the laws of the PRC on March 4, 2020 and a subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd. (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company
"Hygeia Medical Technology"	Shanghai Hygeia Medical Technology (Group) Co., Ltd. (上海海吉亞醫療科技(集團)有限公司) (formerly known as Gamma Star Medical Technology Development (Shanghai) Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司), Gamma Star Medical Industrial (Shanghai) Co., Ltd. (伽瑪星醫療工業(上海)有限公司)), a limited liability company established in the PRC on January 10, 2007 and a wholly-owned subsidiary of the Company
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital Co., Ltd.* (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021, a non-wholly owned subsidiary of the Company
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020

Definitions and Glossaries

"Listing Date"	the date, namely June 29, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Longyan Hygeia Hospital"	Longyan Hygeia Hospital Co., Ltd. (龍岩海吉亞醫院有限公司), a limited liability company established in the PRC on June 7, 2021 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managed Hospital"	Handan Renhe Hospital (邯鄲仁和醫院)
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MRI"	magnetic resonance imaging, a type of scan that uses strong magnetic fields and radio waves to produce detailed images of the inside of the body
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, Chairman and executive Director, and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"MSCI"	MSCI, being the index compilation company with its headquarters in the United States
"NHFPC", "NHC" or "National Health Commission"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Nomination Committee"	the nomination committee of the Board
"oncology"	the branch of medicine that deals with cancer
"Prospectus"	the prospectus of the Company published on June 16, 2020
"public medical insurance "programs"	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells

"Radiotherapy Center Services"	the services we provide to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of the proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the proprietary SRT equipment
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly whollyowned by Ms. Zhu, one of the Controlling Shareholders
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2021 to December 31, 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd. (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)	holder(s) of the Shares
"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
"Suzhou Yongding Hospital"	Suzhou Yongding Hospital Co., Ltd. (蘇州永鼎醫院有限公司), a for-profit class II general hospital in Suzhou and a subsidiary of the Company

Definitions and Glossaries

"VIE Hospitals"	collectively, Anqiu Hygeia Hospital Co., Ltd., Anyang Hygeia Hospital Co., Ltd., Changshu Hygeia Hospital Co., Ltd., Chengwu Hygeia Hospital Co., Ltd., Chongqing Hygeia Cancer Hospital Co., Ltd., Dezhou Hygeia Hospital Co., Ltd., Heze Hygeia Hospital Co., Ltd, Hezhou Guangji Hospital Co., Ltd., Liaocheng Hygeia Hospital Co., Ltd., Longyan Boai Hospital Co., Ltd., Longyan Hygeia Hospital Co., Ltd., Shanxian Hygeia Hospital Co., Ltd., Suzhou Canglang Hospital Co., Ltd., and Wuxi Hygeia Hospital Co., Ltd.
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd. (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively

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