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Hygeia Healthcare Holdings Co., Limited

海吉亚医疗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6078)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL HIGHLIGHTS

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

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

Net profit of the Group increased by 11.2% to RMB228.2 million for the six months ended June 30, 2022 from RMB205.2 million for the same period in 2021. Non-IFRS adjusted net profit⁽¹⁾ increased by 46.6% to RMB300.8 million for the six months ended June 30, 2022 from RMB205.2 million for the same period in 2021.

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

Note:

- (1) During the Reporting Period, non-IFRS adjusted net profit was calculated as net profit, excluding share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals, and net foreign exchange losses.

NON-IFRS MEASURES

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

SUMMARY OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	1,526,232	931,701
Cost of revenue	<u>(1,028,416)</u>	<u>(616,724)</u>
Gross profit	497,816	314,977
Selling expenses	(9,090)	(9,042)
Administrative expenses	(139,353)	(76,647)
Other income	5,951	7,470
Other (losses)/gains – net	<u>(40,693)</u>	<u>25,392</u>
Operating profit	314,631	262,150
Finance income	8,158	1,102
Finance costs	<u>(15,572)</u>	<u>(4,889)</u>
Finance costs – net	<u>(7,414)</u>	<u>(3,787)</u>
Profit before income tax	307,217	258,363
Income tax expense	<u>(79,053)</u>	<u>(53,212)</u>
Net profit	<u><u>228,164</u></u>	<u><u>205,151</u></u>
Non-IFRS adjusted net profit⁽¹⁾	300,776	205,160

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

	Unaudited			
	Six months ended June 30,			
	2022		2021	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Hospital business				
– Outpatient services	513,344	33.6	271,896	29.2
– Inpatient services	932,223	61.1	578,892	62.1
Sub-total	1,445,567	94.7	850,788	91.3
Other business	80,665	5.3	80,913	8.7
Total	1,526,232	100.0	931,701	100.0

Hospital Business

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

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

Other Business

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

Oncology-related Business

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

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

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

	Unaudited			
	Six months ended June 30,			
	2022		2021	
	<i>(RMB'000)</i>	<i>% of revenue</i>	<i>(RMB'000)</i>	<i>% of revenue</i>
Revenue from oncology business	672,090	44.0	446,938	48.0
Revenue from non-oncology business	854,142	56.0	484,763	52.0
Total	<u>1,526,232</u>	<u>100.0</u>	<u>931,701</u>	<u>100.0</u>

Gross Profit

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

	Unaudited	
	Six months ended June 30,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Hospital business	450,706	262,599
Other business	47,110	52,378
Total	<u>497,816</u>	<u>314,977</u>

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

Business Development

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

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

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

2. Expanding the breadth and depth in oncology screening

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

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

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

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

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

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

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

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

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

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

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

Expand the Group's healthcare service network through endogenous growth

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

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

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

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

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

2. Progress of work-in-progress hospitals

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

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

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

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

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

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

Fulfill social responsibility and gain social recognition

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

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

The medical and nursing staff of the Group's in-network hospitals are on the frontline of the fight against the pandemic day and night, braving against the wind and rain. Even though the winter is bitterly cold, the spring breeze will blow through and spark hope everywhere. Every staff in the Group will continue to go to the front line

with great love, fearlessness and selflessness, demonstrating the courageous spirit of Group's staff with their actions. During the Reporting Period, the Group's in-network hospitals performed nucleic acid tests for nearly 9 million persons.

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

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

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

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

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

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

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

Business Prospects

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

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

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

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

Looking forward, the Group expects to:

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

- (2) continue to enhance the scientific research capabilities and academic standards. The Group actively cooperates with public hospitals and other scientific research organizations to develop national, provincial and municipal key scientific research projects, encouraging academic research and publication of papers by the Group's in-network hospitals, and providing interdisciplinary talents with medical expertise and management experience for in-network hospitals on an on-going basis by leveraging fully on the educational and research function of Hygeia Healthcare Teaching and Researching Institute, so as to capitalize the cutting-edge oncology-related diagnosis and treatment technology and deliver better service to its patients;
- (3) continue to expand our business scale to achieve economy of scale. The Group will continue to raise its revenue through organic growth and external expansion to enhance the brand influence of the Group across China:
 - a. by actively facilitating the preparation and construction of self-owned hospitals, and promoting the Phase II construction projects of the existing hospitals, so as to satisfy the growing demand of local patients;
 - b. by actively identifying high-quality merger and acquisition targets, promoting the project process and continuously strengthening the consolidation capacities in the oncology-related industry;
- (4) continue to strictly comply with various regulatory requirements of the industry and strengthen the standardized operation, including implementing the core system of medical quality and safety, supervising medical quality and safety, ensuring medical safety and increasing brand credibility;
- (5) continue to reinforce the modular matrix management model through standardizing and refining our management measures to improve the management efficiency of the Group; and
- (6) continue the build-up of environment, social and governance (ESG) by reinforcing the regulatory measures on environment, fulfilling the social responsibilities, continuously improving and strengthening corporate governance and standardizing governance of listed companies, optimizing the governance structure, to secure the interest of all stakeholders.

Financial Review

Revenue

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

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

Hospital Business

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

Other Business

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

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

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

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

Selling Expenses

During the Reporting Period, the Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. For the six months ended June 30, 2022, the Group's selling expenses amounted to RMB9.1 million, which is basically the same as that of RMB9.0 million for the same period in 2021.

Administrative Expenses

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

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

Other Income

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

The Group's other income decreased to RMB6.0 million for the six months ended June 30, 2022 from RMB7.5 million for the same period in 2021.

Other (Losses)/Gains — Net

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

Finance Income and Costs

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

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

Income Tax Expense

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

Net Profit and Non-IFRS Adjusted Net Profit

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

Non-IFRS Measures

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

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

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

Liquidity and Capital Resources

As of June 30, 2022, the Group had cash and cash equivalents of RMB888.4 million, as well as wealth management products and deposit certificate of RMB116.5 million.

Cash Flow

Operating Activities

During the Reporting Period, the Group derived its cash inflow primarily through provision of healthcare services. Cash outflow from operating activities was primarily composed of payments for procurement of pharmaceuticals and medical consumables, employee benefits expenses, and other operating expenses.

The Group's net cash generated from operating activities increased by 78.7% to RMB291.2 million for the six months ended June 30, 2022 from RMB163.0 million for the same period in 2021, primarily attributable to the increase in the overall revenue of the Group.

Investing Activities

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

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

Financing Activities

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

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

Capital Expenditures

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

Financial Position

Total Assets and Total Liabilities

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

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

Inventories

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

Trade, Other Receivables and Prepayments

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

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

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

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

Intangible Assets

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

Trade and Other Payables

The Group's trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of radiotherapy center services. The Group's trade payables increased by 7.3% to RMB330.8 million as of June 30, 2022 from RMB308.3 million as of December 31, 2021.

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

Borrowings

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

Pledge of Assets

Except for equity pledge of the Group mentioned in Note 15 to the interim condensed consolidated financial statements, the Group had no other pledged assets as of June 30, 2022.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities increased by 1.8% to RMB33.1 million as of June 30, 2022 from RMB32.5 million as of December 31, 2021.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of June 30, 2022 were primarily related to commitments for (i) the construction and renovation of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 35.8% to RMB610.9 million as of June 30, 2022 from RMB449.8 million as of December 31, 2021, primarily due to the increase in the commitments related to the Dezhou Hygeia Hospital project of RMB141.7 million, the increase in the commitments related to the Chengwu Hygeia Hospital Phase II project of RMB56.2 million, and the decrease in the commitments related to the construction of Liaocheng Hygeia Hospital of RMB37.9 million, as of June 30, 2022.

Contingent Liabilities

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

Financial Instruments

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

Gearing Ratio

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

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The monetary assets and monetary liabilities denominated in foreign currency as of June 30, 2022 amounted to RMB21.0 million and RMB1,006.9 million, respectively. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2022 would have been RMB49.3 million higher/lower.

Interest Rate Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

DIVIDENDS

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

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

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

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$2,391.9 million and the unutilized net proceeds were kept at the bank accounts of the Group as at June 30, 2022.

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

Details on the applications of the 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 the net proceeds, actual usage up to June 30, 2022 as well as the expected timeline for utilization:

	Planned applications <i>HK\$ in million</i>	Revised applications <i>HK\$ in million</i>	Amount utilized <i>HK\$ in million</i>	Remaining amount <i>HK\$ in million</i>	Expected timeline for full utilization⁽¹⁾
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	1,435.1	985.1	985.1	–	N/A
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	717.6	1,167.6	1,167.6	–	N/A
Upgrading information technology systems	119.6	119.6	9.1	110.5	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	–	N/A
Total	<u>2,391.9</u>	<u>2,391.9</u>	<u>2,281.4</u>	<u>110.5</u>	

Note:

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

SHARE OPTION SCHEME

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

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

An offer shall be deemed to have been granted and the Option to which the offer relates shall be deemed to have been accepted when the Company receives the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance of the Option price, being HK\$1.00 payable for each acceptance of grant of an Option, to the Company.

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

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the date of grant and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Details of the movements of the Options granted and outstanding during the Reporting Period, the exercise price, the vesting date and the impact of Options granted under the Share Option Scheme on the financial statements are set out in the announcement of the Company dated August 24, 2021 and circular of the Company dated September 23, 2021 and under Note 17 to the interim condensed consolidated financial statements.

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

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

Notes:

Note 1

Among the 600,000 Share Options granted to the Directors, the vesting dates are as follows:

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

Note 2

Among the 7,283,000 Share Options granted to the employees, the vesting dates are as follows:

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

Note 3

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters in relation to the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022 and considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SUBSEQUENT EVENT

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

Save as disclosed above and in Note 19 to the interim condensed consolidated financial statements, there was no significant event that might affect the Group after the Reporting Period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hygeia-group.com.cn), and the 2022 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended June 30, 2022 together with the comparative figures for the same period in 2021:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<u>Unaudited</u>	<u>Audited</u>
		As at	As at
	<i>Notes</i>	June 30,	December 31,
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,710,787	2,517,144
Intangible assets		2,378,744	2,381,150
Prepayments for non-current assets	<i>13</i>	38,276	50,082
Deferred income tax assets		22,214	17,790
Total non-current assets		<u>5,150,021</u>	<u>4,966,166</u>
Current assets			
Inventories		108,889	107,180
Trade, other receivables and prepayments	<i>13</i>	628,946	499,663
Amounts due from related parties		14,678	9,460
Financial assets at fair value through profit or loss	<i>12</i>	116,536	397,400
Cash and cash equivalents	<i>11</i>	888,376	707,069
Total current assets		<u>1,757,425</u>	<u>1,720,772</u>
Total assets		<u><u>6,907,446</u></u>	<u><u>6,686,938</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	<i>14</i>	7,047,087	7,082,915
Other reserves		(2,910,201)	(2,929,602)
Retained earnings		527,350	303,141
		<u>4,664,236</u>	<u>4,456,454</u>
Non-controlling interests		<u>25,213</u>	<u>21,258</u>
Total equity		<u><u>4,689,449</u></u>	<u><u>4,477,712</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Unaudited	Audited
		As at	As at
	<i>Notes</i>	June 30,	December 31,
		2022	2021
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	1,159,605	1,196,478
Deferred income tax liabilities		121,157	115,250
Deferred revenue		33,551	34,431
Lease liabilities		266	416
Other non-current liabilities		7,770	8,044
		1,322,349	1,354,619
Total non-current liabilities			
Current liabilities			
Trade and other payables	16	668,328	732,461
Amounts due to related parties		–	48
Contract liabilities		33,145	32,485
Current income tax liabilities		62,153	54,848
Lease liabilities		1,802	392
Borrowings	15	130,220	34,373
		895,648	854,607
Total current liabilities			
		2,217,997	2,209,226
Total liabilities			
		6,907,446	6,686,938
Total equity and liabilities			

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

- (i) Provision of healthcare services (the “**Hospital Business**”) through self-owned private for-profit hospitals which are variable interest entities owned by the Group;
- (ii)
 - (a) Provision of radiotherapy business to certain third-party hospitals in connection with their radiotherapy centers, including: provision of radiotherapy center consulting services, licensing of radiotherapy equipment for use in the radiotherapy centers, and provision of maintenance and technical support services in relation to radiotherapy equipment;
 - (b) Provision of management services to private not-for-profit hospitals; and
 - (c) Sales of pharmaceutical, medical consumables and medical equipment to third parties.

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

These businesses are controlled by Mr. Zhu Yiwen (朱義文, “**Mr. Zhu**”).

The Company completed its initial public offerings and listed its shares on Main Board of the Stock Exchange of Hong Kong Limited (“**HKSE**”) on June 29, 2020.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

2. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim financial information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), and any public announcements made by the Company during the six months ended June 30, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2021, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

The preparation of interim financial information in conformity with International Accounting Standard 34 “Interim Financial Reporting” requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use	January 1, 2022
Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual Improvements to IFRS Standards 2018 to 2020	January 1, 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	January 1, 2022

(b) New standards and interpretations not yet been adopted

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

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4. SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Hospital Business; and
- Other Business.

The CODM assesses the performance of the operating segments mainly based on segment revenue, segment cost of revenue, gross profit, and operating profit. Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Assets and liabilities are regularly reviewed on a consolidated basis.

The following items are not allocated to individual operating segments:

- a. Administrative expense, other income and other gains/(losses) — net incurred by the entities which perform the management functions as the headquarter, finance costs — net, and income tax expenses; and
- b. Assets and liabilities of the entities which perform the management functions as the headquarter, deferred income tax assets and deferred income tax liabilities.

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

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

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

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

(b) Revenue by business lines and nature

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

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

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

(c) **Geographical information**

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

(d) **Information about major customers**

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

5. OTHER INCOME

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

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

6. OTHER (LOSSES)/GAINS – NET

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

7. EXPENSES BY NATURE

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

8. FINANCE COSTS — NET

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

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

9. INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended June 30,	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax		
– PRC corporate income tax	77,570	41,511
Deferred income tax	1,483	11,701
	79,053	53,212

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax (“CIT”)

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

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

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

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors’ foreign incorporated immediate holding companies. As at June 30, 2022, the retained earnings of the Group’s PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB837,820,000 (as at December 31, 2021: RMB551,532,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management’s best estimates of the Group’s overseas funding requirements.

(b) Numerical reconciliation of income tax expense

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

10. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2022 and 2021.

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

(b) Diluted earnings per share

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

11. CASH AND CASH EQUIVALENTS

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

Cash and deposits were denominated in the following currencies:

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

13. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

The Group's trade receivables were denominated in RMB.

14. SHARE CAPITAL AND SHARE PREMIUM

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

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

15. BORROWINGS

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

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

16. TRADE AND OTHER PAYABLES

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

- (a) The credit period granted by suppliers mainly ranges from 30 to 90 days. The following is an aging analysis of trade payables presented based on the invoice date:

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

17. SHARE-BASED COMPENSATION EXPENSE

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

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

The Group uses the binomial option pricing model in determining the estimated fair value of the share options granted. The model requires the input of highly subjective assumptions. For the expected volatility, the trading history and observation period of the Company’s own share price movement has not been long enough to match the life of the share 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:

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

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

18. DIVIDENDS

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

19. SUBSEQUENT EVENT

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

GLOSSARY AND DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“CAGR”	compound annual growth rate
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chengwu Hygeia Hospital”	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Chongqing Hygeia Hospital”	Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
“Company” or “the Company”	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“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

“Directors”	director(s) of the Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, an Independent Third Party
“Gamma Star Tech”	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a subsidiary of the Company
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
“Group” or “the Group”	the Company together with its subsidiaries
“Heze Hygeia Hospital”	Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of the Company
“Hezhou Guangji Hospital”	Hezhou Guangji Hospital Co., Ltd. (賀州廣濟醫院有限公司), a limited liability company established 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
“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 and a subsidiary of the Company
“Liaocheng Hygeia Hospital”	Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company

“Listing”	the listing of the Shares on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Longyan Boai Hospital”	Longyan Boai Hospital Co., Ltd. (龍巖市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“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 the Group provides to certain hospital partners in connection with their radiotherapy centers, which are primarily composed of (i) provision of radiotherapy center consulting services; (ii) licensing of the Group’s proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the Group’s proprietary SRT equipment
“Reporting Period”	from January 1, 2022 to June 30, 2022
“RMB” or “Renminbi”	the lawful currency of the PRC

“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
“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
“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

By order of the Board of Directors
Hygeia Healthcare Holdings Co., Limited
Mr. ZHU Yiwen
Chairman

Hong Kong, August 31, 2022

As of the date of this announcement, the Board comprises Mr. Zhu Yiwen as chairman and executive Director, Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui as executive Directors, and Mr. Liu Yanqun, Mr. Zhao Chun and Mr. Ye Changqing as independent non-executive Directors.