海吉亞醫療控股有限公司

Hygeia Healthcare Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6078

INTERIM REPORT

2023

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群)
Mr. Ye Changqing (葉長青)
Mr. Zhao Chun (趙淳)

AUDIT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Mr. Liu Yanqun
Mr. Zhao Chun

REMUNERATION COMMITTEE

Mr. Zhao Chun *(Chairman)*
Mr. Ren Ai
Mr. Liu Yanqun

NOMINATION COMMITTEE

Mr. Liu Yanqun *(Chairman)*
Mr. Ren Ai
Mr. Zhao Chun

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORIZED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

PRINCIPAL BANKERS

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Huangpu District, Shanghai
the PRC

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

China Guangfa Bank Co., Ltd.
H.O. Shanghai Hongqiao Sub-branch
No. 716 Gubei Road
Changning District, Shanghai
the PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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Central
Hong Kong

HONG KONG LEGAL ADVISOR

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

STOCK CODE

6078

COMPANY'S WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Unaudited Six months ended June 30, 2023 (RMB'000)	2022 (RMB'000)	Percentage of change
Operating Results			
Revenue	**1,759,486**	1,526,232	15.3
Gross profit	**570,829**	497,816	14.7
Operating profit	**419,649**	314,631	33.4
Profit before income tax	**412,357**	307,217	34.2
Net profit	**334,895**	228,164	46.8
Non-IFRS adjusted net profit[1]	**346,662**	300,776	15.3
Basic earnings per share (in RMB)	**0.53**	0.36	47.2

Note:

(1) Adjustments to net profit for the six months ended June 30, 2023 include: (i) share-based compensation expenses of RMB19,714 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB4,379 thousand; and (iii) net foreign exchange gains of RMB(12,326) thousand. Adjustments to the 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.

	Unaudited As of June 30, 2023 (RMB'000)	Audited As of December 31, 2022 (RMB'000)	Percentage of change
Financial Position			
Total current assets	**2,418,398**	1,749,474	38.2
Total non-current assets	**6,542,475**	5,492,471	19.1
Total current liabilities	**1,453,917**	1,026,031	41.7
Total non-current liabilities	**1,611,921**	1,275,851	26.3
Total equity	**5,895,035**	4,940,063	19.3

Corporate Profile

As an oncology-focused healthcare group, we endeavor to make healthcare services more accessible and affordable (讓醫療更溫暖) to address the unmet demand of oncology patients in China.

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals and radiotherapy centers. As of the date of this report, we operated or managed a network of 13 oncology-focused hospitals, with these in-network hospitals spanning across ten cities in seven provinces in China. In addition, we are currently providing services to 24 third-party hospital partners for their radiotherapy centers. We believe our nationwide footprint has enabled us to benefit from network effects and synergies and achieve economies of scale, which has laid a solid foundation for our sustainable growth and future expansion into new geographic markets.

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

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

We expand our nationwide network through standardized management models and matrix management systems. The standardized management model supports the development of self-built hospitals, and the process from hospital construction, operation to profitability is fast. The standardized management model also supports the development of acquired hospitals, and the Group’s strong integration capabilities have led to rapid growth in their performance.

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

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended June 30, 2023, the revenue of the Group was RMB1,759.5 million, representing an increase of 15.3% over the same period of last year and a year-on-year increase in revenue of 21.1% after excluding the one-off impact of the nucleic acid tests. The gross profit of the Group was RMB570.8 million, representing an increase of 14.7% over the same period of last year and a year-on-year increase in gross profit of 23.9% after excluding the one-off impact of the nucleic acid tests. The net profit of the Group was RMB334.9 million, representing an increase of 46.8% over the same period of last year and a year-on-year increase in net profit of 67.5% after excluding the one-off impact of the nucleic acid tests. The non-IFRS adjusted net profit of the Group was RMB346.7 million, representing an increase of 15.3% over the same period of last year and a year-on-year increase in adjusted net profit of 27.1% after excluding the one-off impact of the nucleic acid tests.

The Group continued to adhere to its oncology-focused development strategy and continuously committed itself to expanding its business scale through operating hospitals focusing on oncology. As of June 30, 2023, the Group managed or operated 13 hospitals, covering ten cities in seven provinces in China, and provided services to 24 third-party hospital partners for their radiotherapy centers.

The Group continuously 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 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. For the six months ended June 30, 2023, the reputation of the in-network hospitals of the Group among the patient pool and the brand influence have continued to enhance, the number of patient visits of the Group has continued to increase, and the overall revenue of the Group has continued to maintain strong growth.

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,			
	2023		2022	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Hospital business				
— Outpatient services	**543,220**	**30.9**	513,344	33.6
— Inpatient services	**1,138,536**	**64.7**	932,223	61.1
Sub-total	**1,681,756**	**95.6**	1,445,567	94.7
Other business	**77,730**	**4.4**	80,665	5.3
Total	**1,759,486**	**100.0**	1,526,232	100.0

Hospital Business

For the six months ended June 30, 2023, the Group's revenue from its hospital business was RMB1,681.8 million, representing an increase of 16.3% over the same period in 2022. For the six months ended June 30, 2023, the revenue from the inpatient services was RMB1,138.5 million, representing an increase of 22.1% over the same period in 2022, which was mainly due to the fact that the Group's in-network hospitals actively expanded diagnosis and treatment items with a focus on oncology items to enrich treatment methods, and continuously improved their surgical capabilities for complex diseases. Revenue from outpatient services was RMB543.2 million for the six months ended June 30, 2023, representing an increase of 5.8% over the same period in 2022, which was mainly due to the impact of the medical peak of the COVID-19 on the routine outpatient services in the first quarter of 2023.

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, 2023, the Group's revenue from other business amounted to RMB77.7 million.

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.

Revenue from the Group's oncology-related business increased by 18.7% from RMB672.1 million for the six months ended June 30, 2022 to RMB797.8 million for the six months ended June 30, 2023, and accounted for 45.3% of the consolidated revenue of the Group.

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

	Unaudited Six months ended June 30,			
	2023		2022	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Oncology business	**797,794**	**45.3**	672,090	44.0
Non-oncology business	**961,692**	**54.7**	854,142	56.0
Total	**1,759,486**	**100.0**	1,526,232	100.0

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,	
	2023	2022
	(RMB'000)	*(RMB'000)*
Hospital business	**524,771**	450,706
Other business	**46,058**	47,110
Total	**570,829**	497,816

The gross profit of the hospital business, the core business of the Group, was RMB524.8 million for the six months ended June 30, 2023, representing an increase of 16.4% over the same period in 2022. Despite certain impact of the medical peak of the COVID-19 on normal diagnosis and treatment in the first quarter in 2023, the gross profit margin of the Group's hospital business still remained stable at 31.2%, which is the same as that in the same period last year. Excluding the one-off impact of nucleic acid tests on its gross profit, the Group's gross profit increased by 23.9% on a year-on-year basis.

BUSINESS DEVELOPMENT

Continuously strengthening the oncology-related 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 continued to strengthen the construction of MDT of oncology and provided one-stop comprehensive diagnosis and treatment services around oncology. Through the continuous introduction of new technologies and equipment, the implementation of oncology subspecialties and the recruitment of outstanding medical talents, the Group achieved strong development of MDT of oncology, and further enhanced its ability to provide complex diagnosis and treatment services such as surgeries. During the Reporting Period, the Group completed a total of 35,753 surgeries, representing an increase of 20% over the same period last year, of which the proportion of level 3 or 4 surgeries and interventional surgeries increased rapidly.

   In March 2023, Suzhou Yongding Hospital and Hezhou Guangji Hospital successively established their department of radiotherapy, marking the official entry of the two hospitals into the era of precision radiotherapy, which will greatly promote the linkage development of other oncology-related disciplines in the hospitals, and will also bring more comprehensive and precise oncology treatment solutions to oncology patients. In April 2023, Suzhou Yongding Hospital established "Suzhou Hygeia Cancer Hospital* (蘇州海吉亞腫瘤醫院)" (a virtual platform). Relying on advanced equipment and a highly-skilled medical team, Suzhou Yongding Hospital will cooperate with a number of hospitals to expand and deepen levels of cooperation in multiple fields, and will continuously promote the development of the discipline and improve the quality of oncology diagnosis and treatment capacity by integrating the oncology diagnosis and treatment resources of various hospitals, so as to provide more professional services for oncology patients in Suzhou and surrounding areas. In the same month, Hezhou Guangji Hospital held an opening ceremony for the second ward of its oncology department, further promoting the development of MDT of oncology in Hezhou Guangji Hospital and providing a comprehensive and warm medical experience for oncology patients. Chongqing Hygeia Hospital has opened the division of gastrointestinal oncology surgery and the division of hepato-pancreato-biliary oncology surgery, and Longyan Boai Hospital has opened the division of interventional oncology, to better promote the precise treatment of oncology.

2. **Increasing early oncology screening**

   Early oncology screening is essential in preventing and treating cancers, and the general public's awareness of early oncology screening has greatly enhanced. Through continually initiating public welfare activities such as early oncology screening, tumor prevention-related health lectures, and setting up an oncology screening base, the Group assists oncology patients in their early diagnosis, discovery and treatment. During the Reporting Period, the Group's major in-network hospitals set up oncology screening centers, endoscopy centers and imaging centers to provide various oncology screening services such as tumor marker testing, methylation testing, genetic testing, gastrointestinal endoscopy and imaging testing.

   In June 2023, Liaocheng Hygeia Hospital undertook the "breast and cervical cancers" screening ("兩癌"篩查) and donation public welfare activity of Liaocheng Economic and Technological Development Zone, and conducted free "breast and cervical cancers" screening for women from rural areas over the age of 45 in batches as well as free disease screening for orphans and children in difficulties in the zone. Liaocheng Hygeia Hospital also donated a "breast and cervical cancers" screening and physical examination program worth RMB500,000, aiming to further improve the "breast and cervical cancers" screening service. In the same month, the GE Revolution 256-row and 512-layer ultra-high-end CT newly introduced by Chongqing Hygeia Hospital was officially put into service, marking the hospital's new leap in the field of "early discovery, diagnosis and treatment" of tumors, which can provide more powerful imaging support for clinical diagnosis and treatment, and truly realize the concept of "imaging should go ahead of the rest on the way to precision medicine (精準醫療，影像先行)".

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

The Group continues to strengthen inter-hospital oncology academic exchanges and cooperation, and comprehensively improves the level of oncology prevention and treatment in its in-network hospitals, benefiting more oncology patients. During the Reporting Period, an institute of clinical medicine jointly established by Soochow University and Suzhou Yongding Hospital was officially opened, laying the foundation for Suzhou Yongding Hospital's long-term development in medical education and research. Chongqing Hygeia Hospital successfully held the "First Symposium on Radiotherapy for Tumors of the National Social Medical Oncology Department Development Cooperation Union", at which domestic renowned experts in the field of radiotherapy for tumors conducted extensive and in-depth discussions on the clinical frontier technologies in radiotherapy for tumors and the latest research results thereof. A medical consortium was jointly built by Liaocheng Hygeia Hospital and Shandong Public Health Clinical Center, where experts from Shandong Public Health Clinical Center will teach and train the medical staff of Liaocheng Hygeia Hospital to improve the medical technology level of the hospital. Longyan Boai Hospital and Xiang'an Hospital of Xiamen University signed a contract to build a medical consortium to comprehensively improve the scientific research level of Longyan Boai Hospital and promote the high-quality development of medical technology in the hospital through deepening cooperation and carrying out academic projects.

During the Reporting Period, the Group has made numerous achievements from its scientific research and academic study in oncology. The Group's in-network hospitals and/or medical professionals published 55 articles in oncology specialties/other oncology-related disciplines in domestic and international periodicals.

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, 2023, the Group had 5,917 medical professionals in total, representing an increase of 790 compared to December 31, 2022. Among the medical professionals, 773 were chief physicians or associate chief physicians, representing an increase of 84 from December 31, 2022. For the six months ended June 30, 2023, a total of 513 medical professionals were promoted to a higher professional grade.

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

The Group provides one-stop and comprehensive oncology diagnosis and treatment services for oncology patients. For oncology patients in rehabilitation, the Group continues to strengthen oncology health management and regular follow-up visits; for terminal oncology 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 the medical staff of the Group enables oncology patients to feel warmth.

All in-network hospitals of the Group provide year-round outpatient service (including public holidays). In addition, the Group's in-network hospitals have successively opened morning-time and night-time outpatient service, and since March 2023, Suzhou Yongding Hospital and Hezhou Guangji Hospital opened midday-time outpatient service to provide the public with higher-quality and more convenient medical services in a staggered mode of diagnosis and treatment.

During the Reporting Period, the Group's in-network hospitals also actively cooperated with anti-cancer associations in neighboring regions. For example, Suzhou Yongding Hospital has become a designated helping unit of the Cancer Rehabilitation Association of Xiangcheng District, Suzhou City, Jiashan County, Zhejiang Province and Pinghu City, Zhejiang Province. Relying on its strengths in technology, talents and equipment, Suzhou Yongding Hospital will gradually improve its comprehensive oncology diagnosis and treatment model from screening and prevention to diagnosis, treatment and rehabilitation of oncology, so as to provide better services to oncology patients.

During the Reporting Period, the Group actively expanded the commercial insurance coverage of its in-network hospitals and has currently cooperated with more than ten commercial insurance companies. Chongqing Hygeia Hospital signed a contract with China Life to launch "one-stop payment for claim settlement" service, which provides patients with efficient and convenient claims settlement service that seamlessly connects hospital discharge and claims payment.

Standardized and sustainable development model continues to expand the Group's healthcare service network and business scale

1. Progress of work-in-progress hospitals

Dezhou Hygeia Hospital is designed 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. The hospital is currently undergoing internal decoration and is expected to be delivered by the end of 2023. The construction of Wuxi Hygeia Hospital started in November 2022 and is currently underway. Wuxi Hygeia Hospital is designed to be a Class III general hospital with oncology specialties and will accommodate 800 to 1,000 beds. It is expected to be delivered and commence operation in 2024. The construction of Changshu Hygeia Hospital started in July 2023. The hospital is designed to be a Class III hospital, and is designed to accommodate 800 to 1,200 beds. It is expected to be delivered and commence operation in 2025.

2. Progress of Phase II projects for existing hospitals

Chongqing Hygeia Hospital Phase II project was officially put into operation in February 2023. The Phase II project has a total GFA of approximately 78,000 square meters and accommodates 1,000 beds. Since Phase II project commenced operation, the total number of beds in the Chongqing Hygeia Hospital has increased to 1,500. Chongqing Hygeia Hospital was accepted as a Class III general hospital in March 2023 and completed the second acceptance of all departments in May 2023. The hospital will actively respond to the instructions of the "14th Five-Year Plan" of Chongqing High-tech District, continue to strengthen the cultivation of talents and the construction of academic disciplines, and to establish Chongqing Hygeia Hospital as a Class III Grade A general hospital featuring oncology specialties, contributing to a higher level of medical services for the residents of Chongqing and surrounding provinces.

Shanxian Hygeia Hospital Phase II project has a total GFA of approximately 55,000 square meters and is designed to accommodate 500 beds. It was fully put into operation in July 2023. The completion of Phase II is expected to greatly improve the medical service level and public health emergency response capability of Shanxian Hygeia Hospital.

Chengwu Hygeia Hospital Phase II project is designed to accommodate 350 beds. The hospital is currently undergoing internal decoration and is expected to be put into operation in the fourth quarter of 2023.

Kaiyuan Jiehua Hospital Phase II project has obtained the construction project planning permit. The planned construction area of Phase II is approximately 15,000 square meters, which is designed to accommodate 500 beds. Currently, Kaiyuan Jiehua Hospital Phase II project is in the process of applying for the construction permit. The completion of the Phase II project will greatly enhance the treatment capacity of Kaiyuan Jiehua Hospital for oncology patients and contribute to its long-term sustainable development.

Hezhou Guangji Hospital Phase II project has obtained the construction project planning permit in July 2023 and the construction permit is under processing. The Phase II project has a total planned GFA of approximately 38,000 square meters, and is expected to add 500 beds to the hospital upon its commencing operation.

Suzhou Yongding Hospital Phase II project is currently applying for the construction project planning permit.

3. **New investment intention agreements for hospital construction**

In June 2023, the Group signed a hospital investment intention agreement with the relevant authorities of Qufu High Speed Railway New District. Qufu, Shandong Province is the birthplace of Confucian culture, and the number of migrants has been increasing in recent years. The signing of this agreement for the High Speed Railway hospital project fills the gap of medical resources in the southern part of Qufu. The Group will take this opportunity to strive to provide better quality medical services to the residents of Qufu and the neighboring cities, and enhance the Group's synergies with its in-network hospitals, thus better promoting the construction of the Group's three-tier diagnosis and treatment network in Shandong Province.

4. **Progress of mergers and acquisitions**

On May 9, 2023, the Group announced the acquisition of 89.2% equity interest in Yixing Hygeia Hospital. Yixing Hygeia Hospital is located in Yixing City, Jiangsu Province in the Yangtze River Delta region. Yixing City is situated centrally to Shanghai, Nanjing and Hangzhou. In 2022, its GDP has exceeded RMB220 billion, ranking seventh among the Top 100 counties of China. Yixing is known as the city of pottery and its local economy is prosperous. It has a developed regional economy and also has a continuous population inflow. However, the local supply for oncology medical resources is relatively insufficient, and the demands of oncology patients in Yixing City are far from being met. Therefore, the acquisition is in line with the development strategy of the Group. Yixing Hygeia Hospital, formerly known as Yixing City Fourth People's Hospital* (宜興市第四人民醫院), was founded in 1951 and is a Class II Grade A general hospital with a history of more than 70 years. Yixing Hygeia Hospital has established a good reputation in Yixing City and to an extent, the entire Wuxi City by relying on its high-performing and experienced professional medical team. Yixing Hygeia Hospital has sufficient space to accommodate more than 800 beds and the potential to be upgraded into a Class III hospital. Yixing Hygeia Hospital has the capacity to perform multi-disciplinary oncology diagnosis and treatments services including radiotherapy, which provides the Group with more opportunities to expand its business in Wuxi City. The joining of Yixing Hygeia Hospital will further expand the Group's hospital network, which is of great significance and value as it allows the Group to increase its revenue and market share derived from oncology medical services. Upon completion of the acquisition, the Group's market share in the medical services industry in the Yangtze River Delta region will continue to increase and its market influence will further radiate to the surrounding areas. The Group will actively utilize its resources to create synergies and lay out a solid foundation for the Group to establish a three-tier diagnosis and treatment network in the Yangtze River Delta region.

On July 25, 2023, the Group announced the acquisition of (i) the entire issued share capital of Datang Healthcare Corporation Limited, which holds 70% equity interest in Chang'an Hospital, and (ii) 30% equity interest in Chang'an Hospital. Xi'an is the largest central city in Northwest China, and is an international metropolis and national city center that has been well established by the state. With the continuous promotion of the national belt and road initiative and western development strategy, industrial transfer is evident. In recent years, the population of Xi'an has continued to increase. By the end of 2022, the resident population of Xi'an reached 13 million, and its GDP reached RMB1.15 trillion. The growth rates of the population and GDP are significantly higher than the national average. Chang'an Hospital is a Class III Grade A general hospital with more than 20 years of operation experience. It has great influence in the local area, and in 2022, it was ranked 13th in the top 100 private hospitals selected by Asclepius. In the past three years, the average number of patient visits of Chang'an Hospital (including in-patient visits and out-patient visits) was around 630,000. Chang'an Hospital has 1,000 registered beds and sufficient land resources for expansion. Chang'an Hospital has an experienced and highly-skilled medical team. Chang'an Hospital has outstanding advantages in the oncology department, which contributes the most to its revenue. The acquisition will further expand the Group's network of healthcare services, as it allows the Group to increase the scale and enhance the market share of its oncology business, and lay out a solid foundation for the Group's further expansion and establishment of its three-tier diagnosis and treatment network in the northwest region of the PRC.

Build good public relations to facilitate economic and social development

The Group attaches great importance to establishing good public relations with all parties in the community, maintaining contact with and being monitored by governments and authorities at all levels, regulating the use of medical insurance funds, fulfilling its obligations as a taxpayer and contributing to the development of the local economy. Hygeia is committed to upholding the values of "telling the truth, being pragmatic and acting with integrity (說實話、辦實事、講誠信)", respecting and protecting the legitimate rights and interests of suppliers, promoting business ethics, promoting integrity and maintaining a clean and healthy environment in the medical field. During the Reporting Period, Shanxian Hygeia Hospital was awarded the "2022 Annual Economic Development Contribution Award (2022年度經濟發展貢獻獎)" by the Shanxian Committee of Communist Party of China and the People's Government of Shanxian, Suzhou Canglang Hospital was awarded the "Top 10 Tax Contributors (稅收貢獻十強)" by the Working Committee of Canglang Xincheng of Communist Party of China, Suzhou Yongding Hospital was awarded the "2022 Annual Major Taxpayer of Wujiang District (2022年度吳江區納稅大戶)", Heze Hygeia Hospital was awarded the "2022 Annual Enterprise Contribution Award (2022年度企業貢獻獎)", Anqiu Hygeia Hospital was awarded the "Grade A of Credit Evaluation of Medical Institutions above Class II in Weifang (濰坊市二級以上醫療機構信用評價A等級)" issued by Health Commission of Weifang Municipal, and Mr. Zhang Hongfei (張鴻飛), the president of Chongqing Hygeia Hospital, was selected as the "Leading Talent of 'Golden Phoenix' in Western (Chongqing) Science City (西部(重慶)科學城「金鳳凰」領軍人才)".

Continue to strengthen the protection of patients', shareholders' and employees' rights and interests, and improve environmental, social and governance (ESG) construction

Hygeia has been pursuing its original mission 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 has always put patient satisfaction at the forefront of its mission, enhanced its information technology and humanized services, constantly strengthening its diagnostic and treatment capabilities, and continuously improved the medical experience. Longyan Boai Hospital has launched the "family ward (家庭病房)" service and Chongqing Hygeia Hospital has carried out the "e-care to home (e護到家)" service, which provide comprehensive care for patients; Suzhou Yongding Hospital has set up the outpatient escort service and Hezhou Guangji Hospital has implemented the service of non-accompanied wards to provide warm companionship to patients throughout the whole process. The Group's hospitals promoted the dedication spirit of "honouring life and love (敬佑生命、大愛無疆)" and actively organized public welfare activities such as blood donation, so that the transmission of love can be as sustainable as blood. The Group conducted various visiting activities for the disadvantaged elderly people, children in social welfare institutions, poor patients and sanitation workers, providing them with public welfare services including health checkups and health consultation. The Group carried forward the fine tradition of patriotism, support of the army, and devotion to the people, continued to improve the work mechanism of military support and preferential treatment, so as to convey the care and concern to the retired military personnel and preferential treatment recipients. In the face of the medical peak of the COVID-19, all medical staff at Hygeia were committed to their duties and did their utmost to maximize hospitals' intake and protect the lives and health of patients.

During the Reporting Period, the brand image and social influence of Hygeia Hospital continued to grow. Suzhou Yongding Hospital became the first batch of pilot hospitals of "Credit+Healthcare (信用+醫療)" in the Yangtze River Delta Integration Demonstration Zone and the first pilot hospital in Jiangsu Province; Shanxian Hygeia Hospital was awarded the "Civilized Unit of Heze City (菏澤市文明單位)" and the "Shanxian May Day Labor Award (單縣五一勞動獎章)"; Chongqing Hygeia Hospital was awarded the honorary title of "Caring Unit (愛心單位)"; Longyan Boai Hospital was awarded the "Caring Unit in Helping People with Disabilities (愛心助殘單位)"; Heze Hygeia Hospital and Chengwu Hygeia Hospital were awarded the "2022 Double Top 100 Model Units of Heze City (2022年菏澤市雙百佳示範單位)", respectively; Hezhou Guangji Hospital was awarded the "Guangxi May Day Labor Award (廣西五一勞動獎狀)"; Liaocheng Hygeia Hospital was awarded the honorary title of "The Most Beautiful Female Employees (最美巾幗奮鬥集體)"; and Suzhou Canglang Hospital was awarded the advanced group of "Humanitarian Contribution Award (人道奉獻獎)".

The Group attached great importance to investor relations management, continuously improved its corporate governance, strictly fulfilled its information disclosure obligations and protected the legitimate rights and interests of Shareholders, especially the minority Shareholders. For the six months ended June 30, 2023, the Group was selected among the "Top 50 Hong Kong Stock Connection (港股通50強)" in the 10th Hong Kong Stock Top 100 Selection (第十屆港股100強), and awarded among the "6th New Fortune Best IR of Hong Kong Listed Companies (H Share) List (第六屆新財富最佳IR港股公司 (H股))".

The Group strictly complied with the Labor Law, the Labor Contract Law and other relevant laws and regulations, and established a sound system of labor protection, remuneration and benefits to protect the legitimate rights and interests of its employees. The Group regularly organized birthday parties, reading clubs, themed group activities and other forms of caring and communicating activities for its staff; it also established the Hygeia Healthcare Teaching and Researching Institute to continuously enrich its training system and enhance the core competitiveness of its staff. The Company continued to improve and optimize its remuneration system and set up long-term incentive mechanisms such as the share option scheme to realize the mutual development of the Group and its staff.

BUSINESS PROSPECTS

The gradually expanding demand for oncology medical services and policy support create a favorable environment for the Group's development

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, more than 300 million people were born in China, and these people will reach the age of 60 within the next decade. It can be predicted that the overall number of elderly people aged 60 and above in China will further increase in the next decade. In 2022, there are over 4.8 million new oncology patients in China, which increased significantly as compared to the previous years. The demand for oncology medical services in the Chinese market will gradually increase due to the continued growth of incidence of tumors and other age-related diseases brought by on the aging population. According to Frost & Sullivan's analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a compound annual growth rate of approximately 11.5% from 2021 to 2025. The Group believes that by leveraging high-level quality control, technology and diagnosis and treatment services, the Group is able to provide multi-level and one-stop diagnosis and treatment services to more oncology patients and satisfy their unmet needs. The medical care and health system reform in China has deepened throughout recent years. The government has put in place certain policies encouraging the setup of medical institutions by social capital to increase the supply of medical services, so as to alleviate conflicts over the significant and unevenly distributed gaps between supply and demand of medical services. In December 2022, the Central Committee of the Communist Party of China and the State Council issued the "Outline of the Strategic Plan for Expanding Domestic Demand (2022–2035)", which states that social forces should be supported to provide multi-level and diversified medical services, and increase the effective supply of specialized medical services and other sub-sectors. The Group believes that benefiting from the encouragement and support of various national and local government policies, the environment for private medical service will be constantly improved to facilitate the rapid development of private medical service. The Group will seize this opportunity to continuously expand its operation network to provide multi-level and diversified services to an increasing number of oncology patients. The "Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Development and Growth of the Private Economy (中共中央、國務院關於促進民營經濟發展壯大的意見)" issued in July 2023 points out that the environment for the development of the private economy should be continuously optimized. Meanwhile, it is necessary to increase the policy support and strengthen the rule of law guaranteeing the development of the private economy. Efforts should also be made to promote the high-quality development of the private economy, promote the healthy growth of members of the private economy, and continue to build up a social atmosphere of caring for promoting the development and growth of the private economy.

Looking forward, the Group expects to:

Continue to focus on the core business of oncology, and prioritize patient satisfaction. Through continuous improvement of diagnosis and treatment technology and service level, the Group will enhance the quality of medical services and improve patients' medical experience, so as to continuously improve brand influence.

Continue to expand our business scale to achieve economies of scale: actively facilitating the construction of new hospital projects and the Phase II projects of the existing hospitals, so as to satisfy the growing medical needs of oncology patients; by actively reserving as well as merging and acquiring high-quality hospital projects, increasing the oncology medical service capabilities of the target hospitals through post-investment integration, and continuing to strengthen the Group's integration capability in oncology-related medical industries.

Continue to reinforce the modular matrix management model, improve our standardized and fine management measures on an on-going basis to improve the operation and management efficiency of the Group.

Continue to strengthen the cultivation of talents and external exchanges and cooperation, and provide interdisciplinary talents with medical expertise and management experience for hospitals of the Group on an ongoing basis by fully leveraging the educational and research function of Hygeia Healthcare Teaching and Researching Institute.

Continue the establishment of environment, social and governance (ESG) by reinforcing the regulatory measures on the environment, fulfilling social responsibilities, continuously improving and strengthening corporate governance and standardized governance of listed companies, and 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 15.3% to RMB1,759.5 million for the six months ended June 30, 2023 from RMB1,526.2 million for the same period in 2022, with a year-on-year increase in revenue of 21.1% after excluding the one-off impact of the nucleic acid tests.

Hospital Business

The Group's revenue from hospital business, accounting for 95.6% of the Group's revenue, increased by 16.3% to RMB1,681.8 million for the six months ended June 30, 2023 from RMB1,445.6 million for the same period in 2022, with a year-on-year increase in revenue from hospital business of 22.6% after excluding the one-off impact of the nucleic acid tests. The increase in revenue from hospital business was primarily attributable to the Group's in-network hospitals has actively expanded diagnosis and treatment items with a focus on oncology projects to enrich treatment methods and continuously improved the capability of conducting complex operations.

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, 2023, the Group's revenue from other business was RMB77.7 million, accounting for 4.4% of the Group's revenue.

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, depreciation and amortization, consultancy and professional service fees.

The Group's cost of revenue increased by 15.6% to RMB1,188.7 million for the six months ended June 30, 2023 from RMB1,028.4 million for the same period in 2022, which was mainly due to the increase in cost of sales as a result of the continuous expansion, which is in line with the Group's revenue growth trend.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 14.7% to RMB570.8 million for the six months ended June 30, 2023 from RMB497.8 million for the same period in 2022, with a year-on-year increase in gross profit of 23.9% after excluding the one-off impact of the nucleic acid tests.

For the six months ended June 30, 2023, the Group's gross profit margin was 32.4%. The Group's gross profit margin increased by 0.8% as compared to the same period of last year after excluding the one-off impact of the nucleic acid tests.

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, 2023, the Group's selling expenses were RMB16.5 million, accounting for 0.9% of the total revenue.

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 28.9% to RMB179.7 million for the six months ended June 30, 2023 from RMB139.4 million for the same period in 2022, primarily due to the impact of the medical peak of the COVID-19 in the first quarter and reserve costs generated from the Phase II construction of the hospitals.

Other Income

During the Reporting Period, the Group's other income was primarily composed of government grants.

The Group's other income increased by 416.7% to RMB31.0 million for the six months ended June 30, 2023 from RMB6.0 million for the same period in 2022.

Other Gains/(Losses) — Net

During the Reporting Period, the Group's other gains/(losses) — net was primarily from net foreign exchange gains/(losses). The Group recorded other gains — net of RMB14.0 million for the six months ended June 30, 2023 and other losses — net of RMB40.7 million for the same period in 2022 with other gains increased by RMB54.7 million in aggregate, primarily due to the increase of RMB59.9 million in net foreign exchange gains.

Finance Income and Costs

During the Reporting Period, the Group's finance income was composed of interest income on bank savings. Finance income increased by 18.3% to RMB9.7 million for the six months ended June 30, 2023 from RMB8.2 million for the same period in 2022.

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 by 9.0% to RMB17.0 million for the six months ended June 30, 2023 from RMB15.6 million for the same period in 2022.

Income Tax Expense

For the six months ended June 30, 2023, the Group's income tax expense was RMB77.5 million. Through effective and compliant tax planning, the Group's income tax expense decreased by 2.0% as compared to RMB79.1 million for the same period in 2022.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 46.8% to RMB334.9 million for the six months ended June 30, 2023 from RMB228.2 million for the same period in 2022, with a year-on-year increase in net profit of 67.5% after excluding the one-off impact of the nucleic acid tests. 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 (gains)/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 15.3% to RMB346.7 million for the six months ended June 30, 2023 from RMB300.8 million for the same period in 2022, with a year-on-year increase in non-IFRS adjusted net profit of 27.1% after excluding the one-off impact of the nucleic acid tests.

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 are not required by, or presented in accordance with IFRS. The Company believes that the non-IFRS 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 non-IFRS 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 have 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, 2022 and 2023 to the nearest measures prepared in accordance with IFRS:

	Unaudited Six months ended June 30,	
	2023 *(RMB'000)*	2022 *(RMB'000)*
Net profit	**334,895**	228,164
Adjustments:		
Net foreign exchange (gains)/losses	**(12,326)**	47,943
Share-based compensation expenses	**19,714**	19,401
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**4,379**	5,268
Non-IFRS adjusted net profit	**346,662**	300,776

Liquidity and Capital Resources

As of June 30, 2023, the Group had cash and cash equivalents of RMB1,374.6 million, as well as wealth management products of RMB125.8 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 20.2% to RMB350.1 million for the six months ended June 30, 2023 from RMB291.2 million for the same period in 2022, primarily attributable to the increase in the Group's overall revenue.

Investing Activities

During the Reporting Period, the Group's cash used in investing activities mainly comprised of payments for purchases of financial assets at fair value through profit or loss, payments for purchases of property, plant and equipment and payments for acquisition of subsidiaries. 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 increased by 1,499.8% to RMB817.5 million for the six months ended June 30, 2023 from RMB51.1 million for the same period in 2022. The increase in net cash used in investing activities of RMB766.4 million was primarily attributable to: (i) the increase in the Group's net cash outflow from disposing and purchasing financial assets at fair value through profit or loss of RMB370.8 million; (ii) the increase in payments for purchases of property, plant and equipment of RMB286.9 million; and (iii) the increase in payments for acquisition of subsidiaries of RMB110.5 million.

Financing Activities

During the Reporting Period, cash inflow from financing activities of the Group was mainly composed of proceeds from the placing of shares, and 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 and payment of lease liabilities.

The Group's net cash generated from financing activities for the six months ended June 30, 2023 was RMB978.0 million, while the net cash used in financing activities for the six months ended June 30, 2022 was RMB61.7 million. The increase in net cash flow from financing activities of RMB1,039.7 million was mainly due to: (i) the increase of RMB681.7 million in the proceeds from the placing completed by the Group in January 2023; and (ii) the increase of RMB308.6 million in the net cash inflow from bank borrowings.

Significant Investments, Material Acquisitions and Disposals

On May 9, 2023, the Group announced the acquisition of 89.2% equity interest in Yixing Hygeia Hospital. The acquisition of Yixing Hygeia Hospital was completed on May 31, 2023. Please refer to the announcement of the Company dated May 9, 2023 for more details.

Save as disclosed above, the Group did not have any other significant investments, material acquisitions or disposals for the six months ended June 30, 2023.

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 111.8% to RMB554.9 million for the six months ended June 30, 2023 from RMB262.0 million for the same period in 2022.

FINANCIAL POSITION

Total Assets and Total Liabilities

As of June 30, 2023, 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 23.7% to RMB8,960.9 million as of June 30, 2023 from RMB7,241.9 million as of December 31, 2022.

As of June 30, 2023, 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 33.2% to RMB3,065.8 million as of June 30, 2023 from RMB2,301.9 million as of December 31, 2022.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 1.4% to RMB156.0 million as of June 30, 2023 from RMB153.9 million as of December 31, 2022.

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 by 7.5% to RMB639.2 million as of June 30, 2023 from RMB594.6 million as of December 31, 2022, primarily due to the increase in the balance of trade receivables as a result of the expansion of the revenue scale of existing hospitals.

The Group's other receivables mainly represented land deposits receivables. The Group's other receivables increased by 2.0% to RMB50.4 million as of June 30, 2023 from RMB49.4 million as of December 31, 2022.

The Group's prepayments for current assets mainly include prepayments to suppliers. The Group's prepayments to suppliers increased by 8.2% to RMB54.4 million as of June 30, 2023 from RMB50.3 million as of December 31, 2022.

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 increased by 38.5% to RMB108.7 million as of June 30, 2023 from RMB78.5 million as of December 31, 2022, primarily due to the increase in prepayments for property, plant and equipment as a result of new acquisition of hospitals and business development needs.

Intangible Assets

The Group's intangible assets were primarily composed of goodwill, medical licenses, software, and contractual rights to provide management services. The Group's intangible assets increased by 7.7% to RMB2,568.5 million as of June 30, 2023 from RMB2,383.9 million as of December 31, 2022, primarily due to the goodwill of RMB160.4 million was recognized by the acquisition of Yixing Hygeia Hospital and Subang Pharmacy.

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 1.5% to RMB402.2 million as of June 30, 2023 from RMB396.2 million as of December 31, 2022.

The Group's other payables primarily represented salaries payables, payables for construction projects, dividend payable, payables of considerations for acquisition of subsidiaries, other taxes payables and prepayments received for radiotherapy equipment licensing. The Group's other payables increased by 73.8% to RMB599.0 million as of June 30, 2023 from RMB344.6 million as of December 31, 2022, primarily due to: (i) the increase of RMB94.7 million in dividend payable; (ii) the increase of RMB81.8 million in construction payables of hospitals; and (iii) the increase of RMB51.8 million in payables of considerations for acquisition of subsidiaries.

Borrowings

As of June 30, 2023, the Group had outstanding short-term borrowings of RMB353.0 million and long-term borrowings of RMB1,424.1 million.

Pledge of Assets

Except for equity pledge and pledge of property, plant and equipment mentioned in Note 24 to the interim financial information, the Group had no other pledged assets as of June 30, 2023.

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 0.3% to RMB29.3 million as of June 30, 2023 from RMB29.2 million as of December 31, 2022.

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, 2023 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 12.1% to RMB654.0 million as of June 30, 2023 from RMB583.4 million as of December 31, 2022.

Contingent Liabilities

As of June 30, 2023, 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.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report and the Prospectus, the Group did not have any future plan for material investments and capital assets as of June 30, 2023.

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 of June 30, 2023 was 6.9%, representing a decrease of 1.9% from the gearing ratio of 8.8% as of December 31, 2022.

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 and Hong Kong dollars. The monetary assets denominated in foreign currency as of June 30, 2023 amounted to RMB2.0 million, and there is no liability denominated in foreign currency. 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, 2023 would have been RMB0.1 million lower/higher.

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 minimize 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 declaration of any interim dividend for the six months ended June 30, 2023.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2023, the Group had 6,659 full-time employees, among whom 92 were employees at the headquarters level and 6,567 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of June 30, 2023:

Functions	Number of Employees	% of total employees
Headquarters level		
Operations	51	0.8
Manufacturing	18	0.3
Management, administrative and others	23	0.3
Sub-total	**92**	**1.4**
Self-owned hospitals		
Physicians	1,821	27.3
Other medical professionals	3,623	54.4
Management, administrative and others	1,123	16.9
Sub-total	**6,567**	**98.6**
Total	**6,659**	**100.0**

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

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

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

For details of the share schemes of the Company, please refer to the paragraphs headed "Pre-IPO Share Award Scheme", "Pre-IPO Restricted Share Scheme" and "Share Option Scheme" of this report.

The unaudited salaries, wages and bonuses of employees but excluding any (i) employer's contribution to retirement benefit plan; (ii) allowances and benefits in kind; and (iii) share-based compensation expenses, were approximately RMB512.9 million for the six months ended June 30, 2023.

Corporate Governance and Other Information

COMPLIANCE WITH THE CG 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, 2023 (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, 2023.

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 AND INTERIM REPORT

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 and the interim report of the Group for the six months ended June 30, 2023 and considered that the interim results and the interim report of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2023 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILIZATION

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 of June 30, 2023.

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, 2023 as well as the expected timeline for utilization:

	Planned application *HK$ million*	Revised applications *HK$ million*	Amount utilized up to June 30, 2023 *HK$ million*	Amount brought forward for the Reporting Period *HK$ million*	Remaining amount as of June 30, 2023 *HK$ million*	Expected timeline for 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 have 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	36.2	101.2	83.4	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	–	–	N/A
Total	**2,391.9**	**2,391.9**	**2.308.5**	**101.2**	**83.4**	

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.

PROCEEDS FROM THE PLACING AND ITS UTILIZATION

On January 4, 2023, the Company entered into a placing agreement with J.P. Morgan Securities (Asia Pacific) Limited (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 14,800,000 Shares (or, failing which, to subscribe itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Placing**"). The Placing price was HK$53.50 per Share. The net price per Placing Share was approximately HK$53.07. The closing price was HK$56.20 per Share as quoted on the Stock Exchange on the date of the placing agreement. Based on the nominal value of US$0.00001 per Share, the aggregate nominal value of the Placing Shares is US$148. For further details, please refer to the announcements of the Company dated January 4, 2023 and January 11, 2023.

The net proceeds from the Placing were approximately HK$785.4 million, which will be used in the following manner: (i) approximately 85% will be used for acquiring hospitals, when appropriate opportunities arise, in key regions which have sizable population and relatively high level of demand for oncology healthcare services; (ii) approximately 10% will be used for establishing new hospitals including continuous construction of Dezhou Hygeia Hospital, Wuxi Hygeia Hospital, and Changshu Hygeia Hospital; and (iii) approximately 5% shall be used for other general corporate purposes where appropriate. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2023:

	Planned applications *HK$ million*	Amount utilized up to June 30, 2023 *HK$ million*	Remaining amount as of June 30, 2023 *HK$ million*	Expected timeline for utilization[1]
To acquire hospitals, when appropriate opportunities arise, in key regions which have sizable population and relatively high level of demand for oncology healthcare services	667.6	100.7	566.9	By the end of 2023
To establish new hospitals including continuous construction of Dezhou Hygeia Hospital, Wuxi Hygeia Hospital, and Changshu Hygeia Hospital	78.5	78.5	—	N/A
For other general corporate purposes	39.3	39.3	—	N/A
Total	**785.4**	**218.5**	**566.9**	

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.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, there are no changes in Directors' information during the Reporting Period.

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

As of June 30, 2023, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares[5]	Approximate percentage of shareholding in the Company[6]
Mr. Zhu[1][2]	Interest in a controlled corporation/Interest of concert parties/Beneficial interest	281,424,815(L)	44.56%
Mr. Ren Ai[3][4]	Interest in a controlled corporation/Interest of spouse/Beneficial interest	281,424,815(L)	44.56%
Mr. Zhang Wenshan	Beneficial interest	32,235(L)	0.01%

(b) Share Options granted by the Company

Name of Director	Number of underlying Shares held pursuant to the Share Option Scheme	Approximate percentage of shareholding in the Company[6]
Mr. Zhu	280,000	0.04%
Ms. Cheng Huanhuan	80,000	0.01%
Mr. Ren Ai	120,000	0.02%
Mr. Zhang Wenshan	60,000	0.01%
Ms. Jiang Hui	60,000	0.01%

Notes:

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

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

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

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

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

(6) As of June 30, 2023, the total number of issued Shares was 631,524,200.

Interests in the associated corporation

Name of Director/ Chief Executive	Nature of interest	Name of associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Zhu	Interest in a controlled corporation	Hygeia Hospital Management[(1)]	100%[(2)]
		VIE Hospitals[(3)]	30%[(4)]
		Managed Hospital[(5)]	30%[(6)]
Mr. Ren Ai	Interest of spouse	Hygeia Hospital Management[(1)]	100%[(2)(7)]
		VIE Hospitals[(3)]	30%[(4)(7)]
		Managed Hospital[(5)]	30%[(6)(7)]

Notes:

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

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

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

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

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

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

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

Save as disclosed above, as of June 30, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

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

As of June 30, 2023, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held(5)	Approximate percentage of shareholding in the Company(6)
Century River Investment(1)(3)	Interest in a controlled corporation/Interest of concert parties	281,424,815(L)	44.56%
Century River (1)(3)	Interest of concert parties/Beneficial interest	281,424,815(L)	44.56%
Ms. Zhu(2)(3)(4)	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	281,424,815(L)	44.56%
Red Palm Investment(2)(3)	Interest in a controlled corporation/Interest of concert parties	281,424,815(L)	44.56%
Amber Tree(2)(3)	Beneficial interest/Interest of concert parties	281,424,815(L)	44.56%
Red Palm (2)(3)	Beneficial interest/Interest of concert parties	281,424,815(L)	44.56%
E Fund Management Co., Ltd. (易方達基金管理有限公司)	Investment manager	43,620,600(L)	6.91%

Notes:

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

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

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

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

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

(6) As of June 30, 2023, the total number of issued Shares was 631,524,200.

Save as disclosed above, as of June 30, 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

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

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

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

PRE-IPO RESTRICTED SHARE SCHEME

The Company approved and adopted the pre-IPO restricted share scheme (the "**Pre-IPO Restricted Share Scheme**") on July 17, 2019 to reward the participants for their contributions in the development of the Group, provide the participants with the opportunity to receive proprietary interests in the Shares and to encourage the participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Persons eligible to receive the restricted shares under the Pre-IPO Restricted Share Scheme are the core employees or consultant of any member of the Group whom the Board considers, in its sole discretion, to have contributed or will contribute to the growth and development of the Group. The Pre-IPO Restricted Share Scheme was terminated upon the Listing and no Shares have been and would be issued or granted under the Pre-IPO Restricted Share Scheme after the Listing.

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

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**"). The participants of the Share Option Scheme include any director or employee of the Group and any medical expert who in the sole discretion of the Board has contributed or will contribute to the Group.

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 of 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 Reporting Period, no Share Options were exercised. As of the date of this report, 7,206,400 Shares are available for issue under the Share Option Scheme upon exercise of all Share Options which had been granted and yet to be exercised under the Share Option Scheme, representing approximately 1.14% of the total number of issued Shares of the Company.

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 exercise price of the Share Options shall be a price determined by the Board and the basis of which shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (c) the nominal value of a Share.

The Share Option Scheme does not stipulate 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 the Relevant Eligible Person (including, without limitation, as to any performance targets which must be satisfied by the Relevant 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 26 to the interim financial information.

Corporate Governance and Other Information

The number of Share Options available for grant under the Share Option Scheme was 10,657,000 shares and 10,657,000 shares as of January 1, 2023 and June 30, 2023, respectively. During the Reporting Period, the number of Shares underlying the Share Options that granted under the Share Options Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is nil.

The table below shows details of the movements in the Share Options granted and outstanding under the Share Option Scheme during the Reporting Period which shall be satisfied by the issuance of new Shares:

Category and name of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of grant	Closing price (weighted average) of Shares immediately before the date of exercise/vest	Fair value at the date of grant *(Note 5)*	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested as at June 30, 2023	Exercised during the Reporting Period	Exercise Period	Cancelled/ lapsed/ forfeited during the Reporting Period *(Note 4)*	Exercise price of cancelled/ lapsed/ forfeited during the Reporting Period	Outstanding as at June 30, 2023	Vesting date *(Note 3)*	Performance targets
Directors and chief executive and their associate															
Mr. Zhu Yiwen	November 12, 2021	HK$66.80	HK$66.05	–	HK$6,740,146	280,000	–	56,000	–	10 years	–	–	224,000	*(Note 1)*	–
Ms. Cheng Huanhuan	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,925,756	80,000	–	16,000	–	10 years	–	–	64,000	*(Note 1)*	–
Mr. Ren Ai	November 12, 2021	HK$66.80	HK$66.05	–	HK$2,888,634	120,000	–	24,000	–	10 years	–	–	96,000	*(Note 1)*	–
Mr. Zhang Wenshan	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,444,317	60,000	–	12,000	–	10 years	–	–	48,000	*(Note 1)*	–
Ms. Jiang Hui	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,444,317	60,000	–	12,000	–	10 years	–	–	48,000	*(Note 1)*	–
Sub-total						600,000	–	120,000	–	–	–	–	480,000		
Substantial shareholders and their associates								N/A							
Participants with options in excess of 1% individual limit								N/A							
Related entity participants or service providers with options granted and to be granted during the year exceeding 0.1% individual limit								N/A							
Other employees participants (in aggregate)															
557 employees	November 12, 2021	HK$66.80	HK$66.05	–	HK$153,656,830	6,738,000	–	1,332,800	–	10 years	83,600	–	5,321,600	*(Note 2)*	–
Sub-total						6,738,000	–	1,332,800	–	–	83,600	–	5,321,600		
Other related entity participants								N/A							
Other service providers								N/A							
Total						**7,338,000**	**–**	**1,452,800**	**–**	**–**	**83,600**	**–**	**5,801,600**		

Notes:

Note 1

As of June 30, 2023, the vesting dates of the Share Options granted to the Directors 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

As of June 30, 2023, the vesting dates of the Share Options granted to the employees 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.

Note 4

Where the Share Options are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such Share Options are reversed on the effective date of the forfeiture.

Note 5

The fair value of Share Options at the date of grant has been prepared in accordance with all applicable IFRS and the disclosure requirements of Hong Kong Companies Ordinance Cap.622. For details of the basis of calculation, please refer to Note 26 to the interim financial information.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

On July 25, 2023, the Group signed an acquisition agreement to acquire (i) the entire issued share capital of Datang Healthcare Corporation Limited, which holds 70% equity interest in Chang'an Hospital, and (ii) 30% equity interest in Chang'an Hospital. Details in relation to the acquisition are set out in the announcements of the Company dated July 25, 2023.

Save as disclosed above and in Note 36 to the interim financial information, there was no significant event that might affect the Group after the Reporting Period.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF HYGEIA HEALTHCARE HOLDINGS CO., LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 90, which comprises the interim condensed consolidated statement of financial position of Hygeia Healthcare Holdings Co., Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 29, 2023

Interim Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended June 30,	
	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*5*	**1,759,486**	1,526,232
Cost of revenue	*5, 8*	**(1,188,657)**	(1,028,416)
Gross profit		**570,829**	497,816
Selling expenses	*8*	**(16,506)**	(9,090)
Administrative expenses	*8*	**(179,727)**	(139,353)
Other income	*6*	**31,004**	5,951
Other gains/(losses) — net	*7*	**14,049**	(40,693)
Operating profit		**419,649**	314,631
Finance income	*10*	**9,709**	8,158
Finance costs	*10*	**(17,001)**	(15,572)
Finance costs — net		**(7,292)**	(7,414)
Profit before income tax		**412,357**	307,217
Income tax expense	*11*	**(77,462)**	(79,053)
Profit and total comprehensive income for the period		**334,895**	228,164
Profit and total comprehensive income attributable to			
— Owners of the Company		**334,136**	224,209
— Non-controlling interests		**759**	3,955
Earnings per share			
— Basic earnings per share (in RMB)	*12*	**0.53**	0.36
— Diluted earnings per share (in RMB)	*12*	**0.53**	0.36

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

Interim Condensed Consolidated Statement of Financial Position

	Notes	Unaudited As at June 30, 2023 RMB'000	Audited As at December 31, 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,835,800**	2,998,903
Intangible assets	14	**2,568,460**	2,383,850
Prepayments for non-current assets	17	**108,694**	78,544
Deferred income tax assets	15	**29,521**	31,174
Total non-current assets		**6,542,475**	5,492,471
Current assets			
Inventories	16	**155,957**	153,859
Trade, other receivables and prepayments	17	**744,116**	694,293
Amounts due from related parties	33	**17,953**	16,608
Financial assets at fair value through profit or loss	19	**125,800**	30,946
Cash and cash equivalents	20	**1,374,572**	853,768
Total current assets		**2,418,398**	1,749,474
Total assets		**8,960,873**	7,241,945
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	21	**7,634,098**	7,047,087
Other reserves	22	**(2,832,189)**	(2,851,903)
Retained earnings	23	**1,072,709**	738,573
		5,874,618	4,933,757
Non-controlling interests		**20,417**	6,306
Total equity		**5,895,035**	4,940,063

Interim Condensed Consolidated Statement of Financial Position

	Notes	Unaudited As at June 30, 2023 RMB'000	Audited As at December 31, 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**1,424,061**	1,102,860
Deferred income tax liabilities	*15*	**141,130**	126,982
Deferred revenue	*27*	**35,539**	34,573
Lease liabilities	*28*	**2,923**	3,128
Other non-current liabilities	*29*	**8,268**	8,308
Total non-current liabilities		**1,611,921**	1,275,851
Current liabilities			
Trade and other payables	*30*	**1,001,134**	740,847
Contract liabilities	*31*	**29,320**	29,204
Current income tax liabilities		**69,375**	72,850
Lease liabilities	*28*	**1,134**	2,727
Borrowings	*24*	**352,954**	180,403
Total current liabilities		**1,453,917**	1,026,031
Total liabilities		**3,065,838**	2,301,882
Total equity and liabilities		**8,960,873**	7,241,945

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

The interim condensed consolidated financial information on pages 36 to 90 was approved by the board of directors on August 29, 2023 and was signed on its behalf:

Zhu Yiwen
Director

Ren Ai
Director

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to owners of the Company					
	Notes	Share capital and premium *RMB'000* *(Note 21)*	Other reserves *RMB'000* *(Note 22)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2023		7,047,087	(2,851,903)	738,573	4,933,757	6,306	4,940,063
Comprehensive income							
Profit for the period		–	–	334,136	334,136	759	334,895
Total comprehensive income for the period		–	–	334,136	334,136	759	334,895
Transactions with owners in their capacity as owners							
Issue of shares upon placing	21	681,740	–	–	681,740	–	681,740
Share-based compensation	26	–	19,714	–	19,714	–	19,714
Dividends	32	(94,729)	–	–	(94,729)	–	(94,729)
Non-controlling interests arising from business combination	25	–	–	–	–	13,352	13,352
Total transactions with owners in their capacity as owners		587,011	19,714	–	606,725	13,352	620,077
Balance at June 30, 2023		7,634,098	(2,832,189)	1,072,709	5,874,618	20,417	5,895,035

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

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to owners of the Company					
	Notes	Share capital and premium *RMB'000* *(Note 21)*	Other reserves *RMB'000* *(Note 22)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2022		7,082,915	(2,929,602)	303,141	4,456,454	21,258	4,477,712
Comprehensive income							
Profit for the period		–	–	224,209	224,209	3,955	228,164
Total comprehensive income for the period		–	–	224,209	224,209	3,955	228,164
Transactions with owners in their capacity as owners							
Repurchased ordinary shares		(35,828)	–	–	(35,828)	–	(35,828)
Share-based compensation	26	–	19,401	–	19,401	–	19,401
Total transactions with owners in their capacity as owners		(35,828)	19,401	–	(16,427)	–	(16,427)
Balance at June 30, 2022		7,047,087	(2,910,201)	527,350	4,664,236	25,213	4,689,449

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

Interim Condensed Consolidated Statement of Cash Flows

		Unaudited Six months ended June 30	
	Notes	**2023** **RMB'000**	2022 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**410,118**	353,321
Interest received		**9,709**	8,158
Income tax paid		**(69,697)**	(70,265)
Net cash generated from operating activities		**350,130**	291,214
Cash flows from investing activities			
Purchases of property, plant and equipment		**(545,954)**	(259,056)
Proceeds from disposal of property, plant and equipment and intangible assets		**10,688**	2,774
Purchases of intangible assets		**(8,955)**	(2,897)
Payments for acquisition of subsidiaries, net of cash acquired		**(184,991)**	(74,447)
Payments for purchases of financial assets at fair value through profit or loss	3	**(1,063,931)**	(176,156)
Proceeds from disposals of financial assets at fair value through profit or loss	3	**975,658**	458,721
Net cash used in investing activities		**(817,485)**	(51,061)
Cash flows from financing activities			
Proceed from issue of shares upon placing	21	**681,740**	—
Payments for repurchase of ordinary shares	21	**—**	(35,828)
Payments for acquisition of additional shares of a subsidiary		**—**	(11,836)
Borrowing interest paid		**(18,630)**	(20,856)
Repayments of bank borrowings		**(965,645)**	(18,326)
Proceeds from bank borrowings		**1,282,587**	26,709
Payments of lease liabilities	28	**(2,009)**	(1,606)
Net cash generated from/(used in) financing activities		**978,043**	(61,743)
Net increase in cash and cash equivalents		**510,688**	178,410
Effect on exchange rate difference		**10,116**	2,897
Cash and cash equivalents at beginning of the period		**853,768**	707,069
Cash and cash equivalents at end of the period		**1,374,572**	888,376

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

Notes to the Interim Financial Information

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

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

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

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

(ii) Other Business including:

(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.

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 the Main Board of The Stock Exchange of Hong Kong Limited on June 29, 2020.

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

1.2 Basis of preparation

This interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim financial information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2022, 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, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2022, 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are disclosed in Note 4.

2.1 New standards and amendments to IFRSs effective for the financial year beginning on or after January 1, 2023

		Effective for annual periods beginning on or after
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

The Group has adopted International Tax Reform — Pillar Two Model Rules-Amendments to IAS 12 upon their release on May 23, 2023. The amendments provide a temporary mandatory exception applying retrospectively from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023.

As an exception to requirements in the amendments to IAS 12, the Group neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes because no new legislation to implement the top-up tax was enacted or substantively enacted at December 31, 2022 in any jurisdiction in which the Group operates.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2023.

The standards and amendments listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New amendments 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 IFRS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits denominated in USD. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of the interim condensed consolidated statement of financial position are as follows:

	As at June 30, 2023 *RMB'000* *(Unaudited)*	As at December 31, 2022 *RMB'000* *(Audited)*
Assets		
USD	**1,825**	21,614
HKD	**192**	252
	2,017	21,866
Liabilities		
USD	**–**	696,460

As at June 30, 2023, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the year would have been approximately RMB91,000 lower/higher (December 31, 2022: approximately RMB33,742,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

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

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	As at June 30, 2023		As at December 31, 2022	
	RMB'000 (Unaudited)	% of total borrowings	RMB'000 (Audited)	% of total borrowings
Floating-rate borrowings	429,214	24%	930,836	73%
Fixed-rate borrowings — repricing or maturity dates:				
— Within 1 year	318,304	18%	153,301	12%
— Between 1 and 2 years	221,776	12%	188,758	14%
— Between 2 and 5 years	607,234	35%	10,368	1%
— Over 5 years	200,487	11%	—	—
	1,777,015	100%	1,283,263	100%

As at June 30, 2023, borrowings of the Group which were bearing at floating rates amounted to approximately RMB429,214,000 (December 31, 2022: approximately RMB930,836,000). For the six months ended June 30, 2023, if the floating interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the pre-tax profit would have been RMB1,073,000 lower/higher (for the year ended December 31, 2022: RMB4,654,000 lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

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

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

The Group's trade receivables are mainly from providing medical service to patients as well as providing services to the radiotherapy centers and trustee hospitals. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing 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 counter-parties 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 management believes 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with that as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

— internal credit rating;

— external credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

— actual or expected significant changes in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (Stage 1)
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses (Stage 2)
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses (Stage 3)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Trade receivables

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

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

The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") to be the most relevant forward looking factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The directors of the Company use roll rate method to assess the expected credit loss rate and assume that trade receivables will experience loss when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and indicator(s) of severe financial difficulty. Based on the roll rate model built, the directors of the Company considered that the expected credit loss of trade receivables is immaterial for the six months ended June 30, 2023.

(ii) Other receivables and amounts due from related parties

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

As at June 30, 2023 and December 31, 2022, the directors of the Company considered that other receivables and due from related parties were performing and within stage 1. The Group considered the 12-month expected credit losses of the other receivables and due from related parties are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

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

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying Amount *RMB'000*
As at June 30, 2023 (Unaudited)						
Trade and other payables excluding non-financial liabilities	767,244	–	–	–	767,244	767,244
Lease liabilities	1,330	955	2,296	–	4,581	4,057
Borrowings	389,756	323,573	997,289	208,612	1,919,230	1,777,015
Total	1,158,330	324,528	999,585	208,612	2,691,055	2,548,316
As at December 31, 2022 (Audited)						
Trade and other payables excluding non-financial liabilities	507,823	–	–	–	507,823	507,823
Lease liabilities	2,962	965	2,270	311	6,508	5,855
Borrowings	244,584	978,801	178,639	–	1,402,024	1,283,263
Total	755,369	979,766	180,909	311	1,916,355	1,796,941

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

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

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. As at June 30, 2023 and December 31, 2022, the gearing ratio of the Group were as follows:

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Net debt	**406,500**	435,350
Total equity	**5,895,035**	4,940,063
Gearing ratio	**7%**	9%

3.3 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value, an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

As at June 30, 2023 and December 31, 2022, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the six months ended June 30, 2023 and the year ended December 31, 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2023 and the year ended December 31, 2022.

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

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

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

	For the six months ended June 30, 2023 RMB'000 (Unaudited)	For the year ended December 31, 2022 RMB'000 (Audited)
Balance at beginning of the period/year	**30,946**	397,400
Additions	**1,063,931**	348,156
Changes in fair value	**6,581**	2,392
Disposals	**(975,658)**	(717,002)
Balance at end of the period/year	**125,800**	30,946

The unobservable inputs of wealth management products and structured deposit products are expected return rate and discounted rate. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rate of the investments in wealth management products and structured deposit products with floating rate range 2.20% to 3.10% for the six months ended June 30, 2023. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the pre-tax profit for the six months ended June 30, 2023 would have been approximately RMB1,258,000 higher/lower (for the year ended December 31, 2022: RMB309,000).

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment assessment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense as percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

Based on management's assessment, no material adverse indication shows that goodwill has suffered any impairment during the six months ended June 30, 2023.

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

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

The Group has exercised significant judgements in determining whether the Group has control over Handan Renhe Hospital. In exercising such judgement, the Group considers the purpose and design of the hospital, what the relevant activities are and how decisions about those activities are made, whether the rights of the Group give the Group current ability to direct the relevant activities, whether the rights exercisable by other parties as internal governance body members are substantive, whether the Group is exposed, or has rights, to variable returns from its involvement with the hospital, and whether the Group has the ability to use its power over the hospital to affect the amount of the Group's returns.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Current and deferred income taxes

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

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

(d) Business combination

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

(e) Share-based compensation expenses

As disclosed in Note 26, the Company has granted share options to the Group's employees. The management has used the binomial option pricing model to determine the total fair value of the awarded options granted to employees, which is to be expensed over the vesting period. Significant estimates on assumptions, such as the expected volatility, expected exercise multiple, and risk-free interest rate, are required to be made by the management in applying the binomial option pricing model. The management applies judgements and estimates, such as employee performance, employee forfeiture rate and achievement of performance and service conditions, in determining share-based payment expenses.

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

(i) 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

(ii) 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.

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Unaudited Six months ended June 30, 2023			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	1,681,756	77,730	—	1,759,486
Cost of revenue	(1,156,985)	(31,672)	—	(1,188,657)
Gross profit	524,771	46,058	—	570,829
Selling expenses	(16,506)	—	—	(16,506)
Administrative expenses	(143,916)	(5,984)	(29,827)	(179,727)
Other income	27,048	3,837	119	31,004
Other (losses)/gains — net	(3,061)	(1,509)	18,619	14,049
Segment profit	388,336	42,402	(11,089)	419,649
Finance income				9,709
Finance costs				(17,001)
Finance costs — net				(7,292)
Profit before income tax				412,357
Other segment information				
Depreciation of property, plant, and equipment	75,311	5,887	1,253	82,451
Amortization of intangible assets	6,102	349	635	7,086

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Unaudited Six months ended June 30, 2022			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
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				307,217
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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Hospital Business RMB'000	Other Business RMB'000	Unallocated RMB'000	Total RMB'000
As at June 30, 2023 (Unaudited)				
Assets				
Segment Assets	**4,963,056**	**201,701**	**1,370,888**	**6,535,645**
Goodwill	**2,395,707**	**—**	**—**	**2,395,707**
Deferred income tax assets				**29,521**
Total Assets				**8,960,873**
Liabilities				
Segment Liabilities	**2,562,781**	**194,803**	**167,124**	**2,924,708**
Deferred income tax liabilities				**141,130**
Total Liabilities				**3,065,838**
Other segment information				
Additions of non-current assets except for goodwill and deferred income tax assets for the period	**984,042**	**9,071**	**1,881**	**994,994**
As at December 31, 2022 (Audited)				
Assets				
Segment Assets	3,999,445	176,417	799,633	4,975,495
Goodwill	2,235,276	—	—	2,235,276
Deferred income tax assets				31,174
Total Assets				7,241,945
Liabilities				
Segment Liabilities	1,968,218	173,375	33,307	2,174,900
Deferred income tax liabilities				126,982
Total Liabilities				2,301,882
Other segment information				
Additions of non-current assets except for goodwill and deferred income tax assets for the year	660,436	15,847	5,807	682,090

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business lines and nature

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Hospital Business		
— Outpatient services	**543,220**	513,344
— Inpatient services	**1,138,536**	932,223
Other Business	**77,730**	80,665
Total revenue	**1,759,486**	1,526,232
Including revenue from contracts with customers	**1,739,880**	1,499,432

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,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
— Inpatient services	**79,320**	61,043
— Other Business	**37,231**	42,420
Over time	**116,551**	103,463
— Inpatient services	**1,059,216**	871,180
— Outpatient services	**543,220**	513,344
— Other Business	**20,893**	11,445
At a point in time	**1,623,329**	1,395,969
Revenue from contracts with customers	**1,739,880**	1,499,432

(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, 2023 and 2022.

6 OTHER INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grants	**29,649**	5,300
Others	**1,355**	651
	31,004	5,951

7 OTHER GAINS/(LOSSES) — NET

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Realised and unrealised gains on financial assets at fair value through profit or loss	**6,581**	1,701
(Losses)/gains on disposal of property, plant and equipment	**(1,665)**	415
Net foreign exchange gains/(losses)	**12,255**	(47,693)
Others	**(3,122)**	4,884
	14,049	(40,693)

8 EXPENSES BY NATURE

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Employee benefit expenses *(Note 9)*	**589,777**	496,390
Cost of pharmaceuticals, medical consumables and other inventories	**503,021**	434,910
Depreciation and amortization	**89,537**	73,167
Consultancy and professional service fees	**52,236**	50,885
Radiotherapy service fees	**36,298**	40,947
Utilities, cleaning and afforestation expenses	**36,750**	31,377
Travelling, entertainment, vehicle and office expenses	**20,428**	14,018
Taxation expenses	**12,512**	8,500
Repair and maintenance	**6,272**	4,729
Marketing and promotion	**5,364**	2,068
Rental expenses *(Note 28)*	**971**	1,101
Auditor's remuneration		
— Audit	**1,100**	1,050
— Non-audit	**—**	—
Other expenses	**30,624**	17,717
	1,384,890	1,176,859

9 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analysed as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Salaries, wages and bonuses	**512,914**	427,994
Employer's contribution to retirement benefit plan *(a)*	**24,623**	20,972
Allowances and benefits in kind	**32,526**	28,023
Share-based compensation expenses	**19,714**	19,401
	589,777	496,390

(a) The Group has participated in:

(i) Certain defined contribution retirement benefit plans organised by the local governments in the PRC for its employees in the PRC. The Group is required to make monthly defined contributions to these plans based on certain percentage of the basic salary of employees and there is no available forfeiture to the Group to reduce the level of the Group's contributions if the employees resigned from the Group; and

(ii) Under the supplementary defined contribution retirement benefit plans (the "Corporate Pension Plan"), the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contributions were utilised during the six months ended June 30, 2023 (the six months ended June 30, 2022: no utilised) and leaving RMB169,300 available at June 30, 2023 to reduce future contributions. As at June 30, 2023, no contribution was payable to the Corporate Pension Plan (December 31, 2022: nil).

10 FINANCE COSTS — NET

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Finance income:		
Interest income of bank savings	**9,709**	8,158
Finance costs:		
Interest on borrowings	**(27,927)**	(21,346)
Interest expenses on leasing liabilities	**(133)**	(53)
	(28,060)	(21,399)
Amount capitalised *(i)*	**11,059**	5,827
Finance costs expensed	**(17,001)**	(15,572)
Finance costs — net	**(7,292)**	(7,414)

(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 30,2023, in this case 4.71% (the six months ended June 30, 2022: 3.55%).

11 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax		
— PRC corporate income tax	**66,222**	77,570
Deferred income tax *(Note 15)*	**11,240**	1,483
	77,462	79,053

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.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

Hong Kong

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

PRC corporate income tax ("CIT")

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

The Company's subsidiary, Chongqing Hygeia Hospital Co., Ltd., Hezhou Guangji Hospital Co., Ltd. ("Hezhou Guangji Hospital"), Kaiyuan Jiehua Hospital Co., Ltd., Hygeia Medical Management (Chongqing) Co., Ltd. and Qihai (Chongqing) Pharmaceutical Co., Ltd. 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% for the six months ended June 30, 2023 and 2022. 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, 2023, 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 RMB1,416,468,000 (as at December 31, 2022: RMB1,088,980,000). 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.

11 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of income tax expense

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before income tax	**412,357**	307,217
Tax calculated at applicable tax rate of 25%	**103,089**	76,804
Effect of differential tax rates	**(31,920)**	(2,658)
Items not deductible for tax purposes	**7,046**	5,552
Additional deduction on research and development expenses	**(753)**	(645)
	77,462	79,053

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2023 and 2022.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	**334,136**	224,209
Weighted average number of shares in issue	**630,701,978**	616,919,489
Basic earnings per share (in RMB)	**0.53**	0.36

(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 (Note 26). For the six months ended June 30, 2023 and 2022, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares. During the six months ended June 30, 2023 and 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, 2023 and 2022 are the same as basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Right-of-use for properties RMB'000	Right-of-use for lands RMB'000	Medical equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2022 (Audited):									
Cost	1,363,036	15,170	612,373	852,145	16,461	87,927	44,154	499,977	3,491,243
Accumulated depreciation	(108,501)	(9,009)	(48,868)	(259,211)	(9,205)	(42,878)	(14,668)	–	(492,340)
Closing net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
Six months ended June 30, 2023 (Unaudited):									
Opening net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
Additions	8,248	80	110,698	68,457	1,845	10,406	9,212	372,109	581,055
Acquisition of subsidiaries	235,386	–	68,463	43,610	171	4,895	–	–	352,525
Transfers upon completion	–	–	–	19,467	–	–	2,644	(22,111)	–
Disposals	(62)	–	–	(12,210)	–	(81)	–	–	(12,353)
Depreciation	(16,724)	(1,420)	(7,386)	(45,181)	(1,386)	(7,800)	(4,433)	–	(84,330)
Closing net book amount	1,481,383	4,821	735,280	667,077	7,886	52,469	36,909	849,975	3,835,800
At June 30, 2023 (Unaudited):									
Cost	1,606,568	15,248	791,534	965,303	18,478	102,246	56,011	849,975	4,405,363
Accumulated depreciation	(125,185)	(10,427)	(56,254)	(298,226)	(10,592)	(49,777)	(19,102)	–	(569,563)
Closing net book amount	1,481,383	4,821	735,280	667,077	7,886	52,469	36,909	849,975	3,835,800

	Buildings RMB'000	Right-of-use for properties RMB'000	Right-of-use for lands RMB'000	Medical equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2021 (Audited):									
Cost	957,820	7,666	599,715	654,618	16,224	65,452	28,489	552,130	2,882,114
Accumulated depreciation	(82,472)	(6,927)	(36,558)	(196,028)	(5,799)	(29,595)	(7,591)	–	(364,970)
Closing net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Six months ended June 30, 2022 (Unaudited):									
Opening net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Additions	1,614	2,815	7,034	63,707	169	6,742	5,015	178,465	265,561
Transfers upon completion	8,313	–	–	87,144	–	–	–	(95,457)	–
Disposals	(698)	–	(315)	(1,330)	–	(14)	(2)	–	(2,359)
Depreciation	(13,092)	(872)	(6,133)	(37,378)	(1,917)	(6,929)	(3,238)	–	(69,559)
Closing net book amount	871,485	2,682	563,743	570,733	8,677	35,656	22,673	635,138	2,710,787
At June 30, 2022 (Unaudited):									
Cost	966,690	10,481	606,434	800,128	16,393	72,097	33,502	635,138	3,140,863
Accumulated depreciation	(95,205)	(7,799)	(42,691)	(229,395)	(7,716)	(36,441)	(10,829)	–	(430,076)
Closing net book amount	871,485	2,682	563,743	570,733	8,677	35,656	22,673	635,138	2,710,787

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's borrowings as at June 30, 2023 of RMB656,918,000 (December 31, 2022: RMB219,112,000) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of RMB866,187,000 (December 31, 2022: RMB358,926,000).

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of sales	**56,801**	46,796
Administrative expenses	**25,650**	21,068
Capitalization	**1,879**	1,695
	84,330	69,559

14 INTANGIBLE ASSETS

	Goodwill *RMB'000*	Software *RMB'000*	Contractual rights to provide management services *RMB'000*	Medical licenses *RMB'000*	Total *RMB'000*
At December 31, 2022 (Audited):					
Cost	**2,235,276**	**40,673**	**27,920**	**115,899**	**2,419,768**
Accumulated amortization	**—**	**(15,904)**	**(8,027)**	**(11,987)**	**(35,918)**
Net book amount	**2,235,276**	**24,769**	**19,893**	**103,912**	**2,383,850**
Six months ended June 30, 2023 (Unaudited):					
Opening net book amount	**2,235,276**	**24,769**	**19,893**	**103,912**	**2,383,850**
Additions	**—**	**8,955**	**—**	**—**	**8,955**
Acquisition of subsidiaries	**160,431**	**2,010**	**—**	**20,300**	**182,741**
Amortization	**—**	**(4,551)**	**(349)**	**(2,186)**	**(7,086)**
Net book amount	**2,395,707**	**31,183**	**19,544**	**122,026**	**2,568,460**
At June 30, 2023 (Unaudited):					
Cost	**2,395,707**	**51,638**	**27,920**	**136,199**	**2,611,464**
Accumulated amortization	**—**	**(20,455)**	**(8,376)**	**(14,173)**	**(43,004)**
Net book amount	**2,395,707**	**31,183**	**19,544**	**122,026**	**2,568,460**
At December 31, 2021 (Audited):					
Cost	2,235,276	26,890	27,920	115,899	2,405,985
Accumulated amortization	—	(9,774)	(7,329)	(7,732)	(24,835)
Net book amount	2,235,276	17,116	20,591	108,167	2,381,150
Six months ended June 30, 2022 (Unaudited):					
Opening net book amount	2,235,276	17,116	20,591	108,167	2,381,150
Additions	—	2,897	—	—	2,897
Amortization	—	(2,826)	(349)	(2,128)	(5,303)
Net book amount	2,235,276	17,187	20,242	106,039	2,378,744
At June 30, 2022 (Unaudited):					
Cost	2,235,276	29,787	27,920	115,899	2,408,882
Accumulated amortization	—	(12,600)	(7,678)	(9,860)	(30,138)
Net book amount	2,235,276	17,187	20,242	106,039	2,378,744

14 INTANGIBLE ASSETS (CONTINUED)

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of sales	**3,958**	2,867
Administrative expenses	**3,128**	2,436
	7,086	5,303

15 DEFERRED INCOME TAX

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Deferred tax assets		
— to be realised within 12 months	**19,908**	21,828
— to be realised after 12 months	**38,590**	39,247
	58,498	61,075
Deferred tax liabilities		
— to be realised within 12 months	**13,058**	12,335
— to be realised after 12 months	**157,049**	144,548
	170,107	156,883

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Tax losses	**43,101**	38,586
Provisions	**4,109**	8,379
Unrealised profits of intra-group transaction	**11,288**	14,110
Total deferred tax assets	**58,498**	61,075
Set-off of deferred tax liabilities pursuant to set-off provisions	**(28,977)**	(29,901)
Net deferred tax assets	**29,521**	31,174

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets (Continued)

The analysis of deferred tax assets is as follows: (Continued)

	Tax losses *RMB'000*	Provisions *RMB'000*	Unrealised profits of intra-group transaction *RMB'000*	Total *RMB'000*
At January 1, 2023	**38,586**	**8,379**	**14,110**	**61,075**
— Acquisition of subsidiaries	**1,892**	**—**	**—**	**1,892**
— Credit/(charged) to profit or loss	**2,623**	**(4,270)**	**(2,822)**	**(4,469)**
At June 30, 2023 (Unaudited)	**43,101**	**4,109**	**11,288**	**58,498**
At January 1, 2022	15,289	6,877	2,074	24,240
— Credit to profit or loss	3,152	337	2,544	6,033
At June 30, 2022 (Unaudited)	18,441	7,214	4,618	30,273

(ii) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
The balance comprises temporary differences attributable to:		
Intangible assets	**27,272**	22,683
Property, plant and equipment	**142,835**	134,200
Total deferred tax liabilities	**170,107**	156,883
Set-off of deferred tax assets pursuant to set-off provisions	**(28,977)**	(29,901)
Net deferred tax liabilities	**141,130**	126,982

15 DEFERRED INCOME TAX (CONTINUED)

(ii) Deferred tax liabilities (Continued)

The analysis of deferred tax liabilities is as follows: (Continued)

	Property, plant and equipment *RMB'000*	Intangible assets *RMB'000*	Total *RMB'000*
At January 1, 2023	**134,200**	**22,683**	**156,883**
— Acquisition of subsidiaries	**1,378**	**5,075**	**6,453**
— Charged/(credit) to profit or loss	**7,257**	**(486)**	**6,771**
At June 30, 2023 (Unaudited)	**142,835**	**27,272**	**170,107**
At January 1, 2022	98,075	23,625	121,700
— Charged/(credit) to profit or loss	7,987	(471)	7,516
At June 30, 2022 (Unaudited)	106,062	23,154	129,216

16 INVENTORIES

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Pharmaceuticals	**91,917**	98,551
Medical consumables	**49,781**	50,670
Spare parts	**14,259**	4,638
	155,957	153,859

17 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in current assets		
Trade receivables	639,238	594,614
Other receivables		
— Deposit receivables	13,879	31,021
— Others	36,565	18,331
	50,444	49,352
Prepayments to suppliers	54,434	50,327
	744,116	694,293
Included in non-current assets		
Prepayments for property, plant and equipment	108,694	78,544
	852,810	772,837

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 90 days	424,252	364,116
91 to 180 days	87,919	119,394
181 to 365 days	101,907	76,139
1 to 2 years	22,224	32,667
2 to 3 years	1,887	895
3 to 4 years	1,049	854
4 to 5 years	—	549
	639,238	594,614

The Group's trade receivables were denominated in RMB.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 20)*	1,374,572	853,768
Amounts due from related parties *(Note 33)*	17,953	16,608
Trade and other receivables excluding non-financial assets	689,682	643,966
	2,082,207	1,514,342
Financial assets at fair value through profit or loss *(Note 19)*	125,800	30,946
	2,208,007	1,545,288
Financial liabilities		
Financial liabilities at amortized cost:		
Borrowings *(Note 24)*	1,777,015	1,283,263
Trade and other payables excluding non-financial liabilities	767,244	507,823
Lease liabilities *(Note 28)*	4,057	5,855
	2,548,316	1,796,941

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Wealth management products	**125,800**	30,946

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

The wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 2.2% to 3.1% per annum for the period ended June 30, 2023 (December 31, 2022: 1.1%–3.7%).

20 CASH AND CASH EQUIVALENTS

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Cash at bank and in hand	**1,374,572**	853,768

Cash and deposits were denominated in the following currencies:

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
RMB	**1,372,555**	831,902
USD	**1,825**	21,614
HKD	**192**	252
	1,374,572	853,768

21 SHARE CAPITAL AND SHARE PREMIUM

	Unaudited			
	Number of shares	Nominal value of shares *USD*	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*
Authorised:				
At January 1, 2022, June 30, 2022, January 1, 2023 and June 30, 2023	5,000,000,000	50,000	—	—
Issued and fully paid:				
At January 1, 2023	616,724,200	6,167	42	7,047,045
Issue of shares upon placing *(a)*	14,800,000	148	1	681,739
Dividend payable *(b)*	—	—	—	(94,729)
At June 30, 2023	631,524,200	6,315	43	7,634,055
Authorised:				
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

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

(a) On January 4, 2023, the Company entered into the placing agreement with J.P. Morgan Securities (Asia Pacific) Limited, pursuant to which the Company agreed to place 14,800,000 shares at a price of HKD53.50 per share. On January 11, 2023, all conditions to the agreement was fulfilled and the placing has completed. The net proceeds (after deducting all applicable costs and expenses, including commission) from the placing was approximately HKD785,400,000 (equivalent to approximately RMB681,740,000).

(b) The board of directors recommended the payment of final dividend of approximately RMB94,729,000 for the year ended December 31, 2022 which is approved by the shareholders at the annual general meeting of the Company. The final dividend has been paid to the shareholders on July 27, 2023.

22 OTHER RESERVES

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**(2,851,903)**	(2,929,602)
Share-based compensation expense	**19,714**	19,401
At the end of the period	**(2,832,189)**	(2,910,201)

23 RETAINED EARNINGS

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**738,573**	303,141
Profit for the period	**334,136**	224,209
At the end of the period	**1,072,709**	527,350

24 BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Bank borrowings	**1,765,520**	1,283,263
Included in non-current liabilities:		
— Long-term bank borrowings-secured *(i)*	**1,585,820**	1,157,630
— Long-term bank borrowings-unsecured	**5,700**	6,200
Less: current portion	**(169,756)**	(60,970)
	1,421,764	1,102,860
Included in current liabilities:		
— Short-term bank borrowings-unsecured	**174,000**	119,433
— Current portion of non-current liabilities	**169,756**	60,970
	343,756	180,403
Other borrowings *(ii)*	**11,495**	—
Included in non-current liabilities:		
— Long-term other borrowings-secured *(i)*	**11,495**	—
Less: current portion	**(9,198)**	—
	2,297	—
Included in current liabilities:		
Current portion of non-current liabilities	**9,198**	—
Total	**1,777,015**	1,283,263

(i) All secured borrowings are guaranteed and pledged as shown below:

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Pledged by property, plant and equipment *(Note 13)*	**656,918**	219,112
Secured by equity pledge of certain subsidiaries of the Group	**940,397**	938,518
	1,597,315	1,157,630

The Group's bank and other borrowings as at June 30, 2023 of RMB656,918,000 (December 31, 2022: RMB219,112,000) were secured by certain buildings, right-of-use for lands and constructions in progress of the Group with total carrying values of RMB866,187,000 (December 31, 2022: RMB358,926,000).

The Group's bank and other borrowings as at June 30, 2023 of RMB940,397,000 (December 31, 2022: RMB938,518,000) were secured by 100% equity of Suzhou Yongding Medical Management Service Co., Ltd., 100% equity of Etern Healthcare (HK) Limited, 100% equity of Etern Group Ltd., 98% equity of Suzhou Yongding Hospital Co., Ltd., 70% equity of Hezhou Guangji Hospital and 70% equity of Yixing Hygeia Hospital Co., Ltd. ("Yixing Hygeia Hospital").

(ii) Other borrowings represented borrowings from the financial leasing companies secured by certain property, plant and equipment.

24 BORROWINGS (CONTINUED)

(a) The weighted average effective interest rates per annum at the balance sheet dates were set out as follows:

	As at June 30, 2023	As at December 31, 2022
Borrowings	**4.05%**	4.08%

(b) The following tables sets forth the ranges of the effective interest rate per annum of our bank and other borrowings as at the dates indicated:

	As at June 30, 2023 ***RMB'000***	As at December 31, 2022 *RMB'000*
Fixed-rate borrowings	**1,347,801**	352,427
Floating-rate borrowings	**429,214**	930,836
	1,777,015	1,283,263

(c) The carrying amounts of the bank and other borrowings approximated their fair values as at June 30, 2023 as the impact of discounting of borrowings with fixed interest rates was not significant.

(d) The Group's bank and other borrowings were repayable based on scheduled repayment as follows:

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Within 1 year	**352,954**	180,403
Between 1 and 2 years	**284,052**	945,030
Between 2 and 5 years	**939,521**	157,830
Over 5 years	**200,488**	—
	1,777,015	1,283,263

24 BORROWINGS (CONTINUED)

(e) The Group's bank and other borrowings were denominated in the following currencies:

	As at June 30, 2023 ***RMB'000***	As at December 31, 2022 *RMB'000*
RMB	**1,777,015**	586,803
USD	**—**	696,460
	1,777,015	1,283,263

(f) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities for the six months ended June 30, 2023 and 2022.

25 BUSINESS COMBINATIONS

(a) Yixing Hygeia Hospital

On May 9, 2023, the Group entered into an equity interest acquisition agreement to subscribe for and acquire an aggregate of 89.2% equity interest in Yixing Hygeia Hospital at the total consideration of approximately RMB267,800,000. Yixing Hygeia Hospital, formerly known as Yixing City Fourth People's Hospital, located in Yixing City of Jiangsu Province, was founded in 1951 and is a Class IIA general hospital with a history of more than 70 years. Details of the acquisition are set out in the Company's announcement dated May 9, 2023.

The acquisition was completed on May 31, 2023, and after the acquisition, Yixing Hygeia Hospital became an indirect non-wholly-owned subsidiary of the Company, and the financial results of it were consolidated into the financial statements of the Group.

25 BUSINESS COMBINATIONS (CONTINUED)

(a) Yixing Hygeia Hospital (Continued)

The fair values of the identifiable assets and liabilities of the Yixing Hygeia Hospital as at the date of acquisitions are set out as follows:

	At date of acquisition Fair value *RMB'000*
Property, plant and equipment	352,525
Intangible assets	22,310
Deferred income tax assets	1,892
Inventories	7,169
Trade, other receivables and prepayments	26,404
Cash and cash equivalents	33,535
Deferred income tax liabilities	(6,453)
Trade and other payables	(121,025)
Contract liabilities	(18,293)
Borrowings	(174,810)
Fair value of net identifiable assets	123,254
Less: non-controlling interests	(13,311)
Goodwill	157,857
Total consideration for the subscription and acquisition	267,800
Total purchase consideration comprises:	
Cash paid during the period ended June 30, 2023	218,332
Other payable	49,468

The goodwill is attributable to Yixing Hygeia Hospital's professional medical team and good reputation in the hospital business and synergies expected to arise after the Company's acquisition. It has been allocated to Hospital Business segment. None of the goodwill is expected to be deductible for tax purposes.

(i) Acquisition related cost

Acquisition-related costs of RMB322,000 are included in administrative expenses in profit or loss for the six months ended June 30, 2023.

(ii) Revenue and profit contribution

The acquired business contributed revenue of RMB15,322,000 and net profit of RMB1,897,000 to the Group for the period from June 1, 2023 to June 30, 2023. If the acquisition had occurred on January 1, 2023, the contributed revenue and loss after tax to the Group for the six months ended June 30, 2023 would have been RMB86,905,000 and RMB14,634,000 respectively.

25 BUSINESS COMBINATIONS (CONTINUED)

(b) Wuxi Subang Medical Technology Co., Ltd.

On May 9, 2023, the Group entered into a share purchase agreement to acquire an aggregate of 89.2% equity interest in Wuxi Subang Medical Technology Co., Ltd. ("Subang Medical Technology") at the total consideration of RMB2,910,000. Subang Medical Technology is principally engaged in the pharmaceutical and health supplements supplies and medical equipment retails business.

The acquisition was completed on May 31, 2023, and after the acquisition, Subang Medical Technology became an indirect non-wholly-owned subsidiary of the Company, and the financial results of them were consolidated into the financial statements of the Group.

The fair values of the identifiable assets and liabilities of the Subang Medical Technology as at the date of acquisitions are set out as follows:

	At date of acquisition Fair value *RMB'000*
Inventories	446
Trade, other receivables and prepayments	2,626
Cash and cash equivalents	389
Trade and other payables	(1,084)
Borrowings	(2,000)
Fair value of net identifiable assets	377
Less: non-controlling interests	(41)
Goodwill	2,574
Total purchase consideration	2,910
Total purchase consideration comprises:	
Cash paid during the period ended June 30, 2023	583
Other payable	2,327

The goodwill is attributable to Subang Medical Technology's benefits in the pharmaceutical supply business and synergies expected to arise after the Company's acquisition. It has been allocated to Hospital Business segment. None of the goodwill is expected to be deductible for tax purposes.

(i) Acquisition related cost

No acquisition-related costs occurred for this deal, hence no acquisition-related costs are included in administrative expenses in profit or loss for the six months ended June 30, 2023.

(ii) Revenue and profit contribution

The acquired business contributed revenue of RMB380,000 and net loss of RMB13,000 to the Group for the period from June 1, 2023 to June 30, 2023. If the acquisition had occurred on January 1, 2023, the contributed revenue and loss after tax to the Group for the six months ended June 30, 2023 would have been RMB2,025,000 and RMB34,000 respectively.

26 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. As at June 30, 2023, 1,452,800 share options of the Company were vested and 604,600 share options were forfeited due to dimission of the eligible person.

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 Options. 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 HKD168,100,000. The significant inputs into the binomial valuation model were listed as below:

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

The Group recorded a total of RMB19,714,000 share-based compensation expenses in the interim condensed consolidated statement of comprehensive income for the six months ended June 30, 2023 for the aforesaid Share Options (six months ended June 30, 2022: RMB19,401,000).

27 DEFERRED REVENUE

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Government grants	35,539	34,573
To be realised within 12 months	1,018	1,312
To be realised after more than 12 months	34,521	33,261
Total	35,539	34,573

The deferred revenue mainly represented the government grants obtained to assist the construction costs of the Group's plants. The deferred revenue is recognized in the consolidated statement of comprehensive income within the useful lives of the assets to match the depreciation expense of the relevant assets after completion.

28 LEASE LIABILITIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Minimum lease payments due		
— Within 1 year	1,330	2,962
— Between 1 and 2 years	955	965
— Between 2 and 5 years	2,296	2,270
— Above 5 years	—	311
	4,581	6,508
Less: future finance charges	(524)	(653)
Present value of lease liabilities	4,057	5,855
— Within 1 year	1,134	2,727
— Between 1 and 2 years	811	798
— Between 2 and 5 years	2,112	2,028
— Above 5 years	—	302
	4,057	5,855

28 LEASE LIABILITIES (CONTINUED)

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses (included in finance costs-net) *(Note 10)*	**133**	53
Variable terms lease expenditure for equipment	**553**	572
Short-term lease expenditure	**418**	529
	971	1,101
Cash outflow for lease payments	**2,009**	1,606
Cash outflow for short-term lease and variable terms lease *(Note 8)*	**971**	1,101
	2,980	2,707

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

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

29 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Provision for asset retirement obligations	**8,268**	8,308

The Group's radiotherapy equipment assemble Cobalt-60 to fulfill the treatment mission. The provision for dismantling cost of Cobalt-60, which would be paid due to its radioactivity according to the purchase agreement, subjected to the discount rate, is recognised.

30 TRADE AND OTHER PAYABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade payables *(a)*	402,169	396,221
Salaries payable	203,648	187,116
Payables for construction projects	162,586	80,835
Dividend payable	94,729	—
Payables of considerations for acquisition equity interest of subsidiaries	51,893	98
Other taxes payable	15,150	30,230
Deposits payable	12,107	1,145
Payables of surcharge for tax overdue payments	7,578	7,578
Prepayments received for radiotherapy equipment licensing	7,265	8,100
Others	44,009	29,524
	1,001,134	740,847

(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, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
0 to 90 days	331,498	333,883
91 to 180 days	32,010	34,410
181 to 365 days	20,841	14,570
Over 1 year	17,820	13,358
	402,169	396,221

31 CONTRACT LIABILITIES

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Hospital Business		
— Outpatient services	9,556	13,527
— Inpatient services	12,905	10,022
Other Business	6,859	5,655
	29,320	29,204

32 DIVIDENDS

The board of directors of the Company did not propose to declare any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

33 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also consider Out of TRP, remove to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the period:

Name of related parties	Relationship with the Group
Mr. Zhu	Controlling shareholder
Ji Hairong (季海榮)	Spouse of Mr. Zhu
Ms. Zhu	Daughter of Mr. Zhu
Shanghai Rongqiao Biotechnology Co., Ltd. (上海榮喬生物科技有限公司)	Ultimately controlled by Ji Hairong
Handan Renhe Hospital (邯鄲仁和醫院)	Certain employees or directors of the Group are Handan Renhe Hospital's internal governance body members
Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司)	Controlled by Mr. Zhu and Ms. Zhu
Kaiyuan Jiehua Hospital Co., Ltd. (開遠解化醫院有限公司)	30% equity owned by Shanghai Xiangshang Investment Development Co., Ltd. (From May 31, 2021 to September 6, 2022)

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

Key management includes directors and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Salaries, wages and bonus	**1,302**	1,870
Employer's contribution to retirement benefit plan	**150**	158
Allowances and benefits in kind	**148**	159
Share-based compensation expenses	**2,131**	3,972
	3,731	6,159

(c) Transactions with related parties

During the period, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Recurring transactions		
Other Business Revenue		
— Handan Renhe Hospital	**5,574**	8,210
	5,574	8,210
Depreciation on right-of-use assets and interest expenses on lease liabilities		
— Ms. Zhu	**505**	437
— Shanghai Rongqiao Biotechnology Co., Ltd.	**384**	371
— Ji Hairong	**12**	—
	901	808

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

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Loan to a related party

	As at June 30,	
	2023	2022
	RMB'000	*RMB'000*
— Kaiyuan Jiehua Hospital Co., Ltd.		
At the beginning of the period	–	22,064
Interest charged	–	479
At the end of the period	–	22,543

The Group's Subsidiary, Gamma Star Tech provided an unsecured loan to Kaiyuan Jiehua Hospital Co., Ltd. amounting to RMB22,000,000 from November 30, 2021 to November 29, 2022, with annum interest rate of 4.35%. Kaiyuan Jiehua Hospital Co., Ltd. became the Group's wholly owned subsidiary on September 6, 2022. The loan and the interest were reclassified as intra-group transaction correspondingly.

(e) Balances with related parties

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Amounts due from related parties		
Trade		
— Handan Renhe Hospital	**17,953**	16,608

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Lease liabilities to		
— Ms. Zhu	**–**	983
— Shanghai Rongqiao Biotechnology Co., Ltd.	**210**	1,158
— Ji Hairong	**52**	—
	262	2,141

As at June 30, 2023 and December 31, 2022, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

34 COMMITMENTS

The Group's capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at June 30, 2023 ***RMB'000*** ***(Unaudited)***	As at December 31, 2022 *RMB'000* *(Audited)*
Property, plant and equipment	**653,427**	583,120
Intangible assets	**610**	298
	654,037	583,418

35 CONTINGENT LIABILITIES

As at June 30, 2023, the Group did not have any material contingent liabilities.

36 SUBSEQUENT EVENT

On July 25, 2023, the Group entered into an acquisition agreement to acquire, (i) the entire issued share capital of Datang Healthcare Corporation Limited, which holds 70% equity interest in Chang'an Hospital Co., Ltd. ("Chang'an Hospital"), and (ii) 30% equity interest in Chang'an Hospital directly. The total consideration of the above transactions is RMB1,660,000,000. Upon completion, Chang'an Hospital will become an indirect wholly-owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Group. Details of the acquisition are set out in the Company's announcement dated July 25, 2023.

Definitions and Glossaries

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

"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Audit Committee"	the audit committee of the Board
"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd.* (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd.* (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chang'an Hospital"	Chang'an Hospital Co., Ltd.* (長安醫院有限公司), a limited liability company incorporated under the laws of the PRC on December 31, 2002
"Changshu Hygeia Hospital"	Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd.* (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan

Definitions and Glossaries

"Chongqing Hygeia Hospital"	Chongqing Hygeia Hospital Co., Ltd.* (重慶海吉亞醫院有限公司) (formerly known as Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) and Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Class III" or "Class III hospitals"	the regional hospital designated as Class III hospital by the NHFPC hospital classification system, typically having more than 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions. Class III hospitals are graded into three sub-levels (A, B and C) based on the assessment of competent authorities and Class III Grade A hospitals are the highest ranking hospitals amongst the Class III hospitals
"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 Stock Exchange
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
"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
"Existing Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals before and after the Listing 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", "we" or "us"	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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd.* (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company by virtue of the Existing Contractual Arrangements
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital (開遠解化醫院) is a private not-for-profit hospital established under the laws of the PRC which the Group acquired on November 12, 2012, the organizer's interest of which is held by Gamma Star Tech and Xiangshang Investment as to 70% and 30%, respectively. Kaiyuan Jiehua Hospital completed a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital in 2021
"Kaiyuan Jiehua Hospital Co., Ltd."	Kaiyuan Jiehua Hospital Co., Ltd.* (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021, a wholly-owned subsidiary of the Company
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

Definitions and Glossaries

"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange
"Managed Hospital"	Handan Renhe Hospital* (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, Chairman, and executive Director and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會)
"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
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders

Definitions and Glossaries

"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Reporting Period"	from January 1, 2023 to June 30, 2023
"RMB"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 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
"subsidiary(ies)"	has the meaning ascribed thereto under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Subang Pharmacy"	Wuxi Subang Medical Technology Co., Ltd.* (無錫市蘇邦醫療科技有限公司), a limited liability company incorporated under the laws of the PRC on April 1, 2020
"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
"VIE Hospitals"	the hospitals that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements from time to time

Definitions and Glossaries

"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
"Yixing Hygeia Hospital"	Yixing Hygeia Hospital Co., Ltd.* (宜興海吉亞醫院有限公司), a limited liability company incorporated under the laws of the PRC on April 6, 2023
"%"	per cent

* *For identification purpose only*

In this report, unless otherwise indicated, the terms "associate", "connected person" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.