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Hygeia Healthcare Holdings Co., Limited

海吉亚医疗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6078)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 38.0% to RMB3,195.6 million for the year ended December 31, 2022 from RMB2,315.3 million for the year ended December 31, 2021.

Gross profit of the Group increased by 35.8% to RMB1,028.6 million for the year ended December 31, 2022 from RMB757.5 million for the year ended December 31, 2021. Non-IFRS adjusted gross profit⁽¹⁾ increased by 38.5% to RMB1,058.9 million for the year ended December 31, 2022 from RMB764.8 million for the year ended December 31, 2021.

Net profit of the Group increased by 6.3% to RMB481.9 million for the year ended December 31, 2022 from RMB453.2 million for the year ended December 31, 2021. Non-IFRS adjusted net profit⁽²⁾ increased by 34.7% to RMB607.0 million for the year ended December 31, 2022 from RMB450.6 million for the year ended December 31, 2021.

The Board recommends the payment of a final dividend of RMB0.15 per share (totaling approximately RMB94.7 million) for the year ended December 31, 2022, which is subject to the approval of the Shareholders at the AGM. The final dividend is expected to be paid to the Shareholders on or before July 27, 2023. The dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on July 7, 2023.

Notes:

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

NON-IFRS MEASURES

To supplement the Group's consolidated statement of comprehensive income which are presented in accordance with IFRS, the Company has provided adjusted gross profit, adjusted gross profit margin and 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 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 consolidated statement of comprehensive income as reported under IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	3,195,648	2,315,349
Cost of revenue	(2,167,095)	(1,557,850)
Gross profit	1,028,553	757,499
Selling expenses	(26,091)	(20,976)
Administrative expenses	(296,927)	(228,523)
Other income	21,336	16,012
Other (losses)/gains — net	(60,050)	69,763
Operating profit	666,821	593,775
Finance income	17,318	2,155
Finance costs	(40,828)	(23,085)
Finance costs — net	(23,510)	(20,930)
Profit before income tax	643,311	572,845
Income tax expense	(161,435)	(119,642)
Net profit	481,876	453,203
Non-IFRS adjusted gross profit⁽¹⁾	1,058,943	764,782
Non-IFRS adjusted net profit⁽²⁾	607,013	450,606

Notes:

- Adjustments to the gross profit for the year ended December 31, 2022 include: (i) share-based compensation expenses of RMB26,134 thousand; and (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB4,256 thousand. Adjustments to the gross profit for the year ended December 31, 2021 include: (i) share-based compensation expenses of RMB4,536 thousand; and (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB2,747 thousand.
- Adjustments to the net profit for the year ended December 31, 2022 include: (i) share-based compensation expenses of RMB38,085 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB9,780 thousand; and (iii) net foreign exchange losses of RMB77,272 thousand. Adjustments to the net profit for the year ended December 31, 2021 include: (i) share-based compensation expenses of RMB6,759 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB6,093 thousand; and (iii) gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital of RMB(15,449) thousand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to adhere to the oncology-focused development strategy in 2022 and was continuously committed itself to expanding its business scale through operating hospitals focusing on oncology. As of December 31, 2022, the Group managed or operated 12 oncology-focused hospitals 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. In 2022, 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. For the year ended December 31, 2022, the revenue of the Group was RMB3,195.6 million, representing an increase of 38.0% over last year.

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

	Year ended December 31,			
	2022		2021	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Hospital business				
— Outpatient services	1,097,754	34.3	741,352	32.0
— Inpatient services	1,929,506	60.4	1,408,838	60.9
Sub-total	3,027,260	94.7	2,150,190	92.9
Other business	168,388	5.3	165,159	7.1
Total	3,195,648	100.0	2,315,349	100.0

Hospital Business

For the year ended December 31, 2022, the Group's revenue from its hospital business was RMB3,027.3 million, representing an increase of 40.8% over last year. For the year ended December 31, 2021, the revenue from outpatient services was RMB1,097.8 million, representing an increase of 48.1% over last year, and revenue from inpatient services was RMB1,929.5 million, representing an increase of 37.0% over last year.

The brand influence and reputation of the Group's in-network hospitals have gradually enhanced, resulting in an increase in the number of patient visits. For the year ended December 31, 2022, the number of patient visits was approximately 3.25 million, representing an increase of 41.6% over last year. In addition, the Group has actively expanded diagnosis and treatment items with a focus on oncology to enrich treatment methods and improve management efficiency. As of December 31, 2022, the Group operated or managed a network of 12 oncology-focused hospitals, covering nine cities in seven provinces in China.

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business. For the year ended December 31, 2022, the Group's revenue from other business amounted to RMB168.4 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 30.8% from RMB1,100.1 million for the year ended December 31, 2021 to RMB1,438.4 million for the year ended December 31, 2022, and accounted for 45.0% of the consolidated revenue of the Group.

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

	Year ended December 31,			
	2022		2021	
	<i>(RMB'000)</i>	<i>% of revenue</i>	<i>(RMB'000)</i>	<i>% of revenue</i>
Oncology business	1,438,432	45.0	1,100,091	47.5
Non-oncology business	1,757,216	55.0	1,215,258	52.5
Total	<u>3,195,648</u>	<u>100.0</u>	<u>2,315,349</u>	<u>100.0</u>

Non-IFRS Adjusted Gross Profit

The following table sets forth a breakdown of non-IFRS adjusted gross profit of the Group by service offerings for the years indicated:

	Year ended December 31,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Hospital business	960,095	669,019
Other business	98,848	95,763
Total	<u>1,058,943</u>	<u>764,782</u>

The non-IFRS adjusted gross profit of hospital business, the core business of the Group, was RMB960.1 million for the year ended December 31, 2022, representing an increase of 43.5% over last year. The non-IFRS adjusted gross profit margin of the hospital business increased 0.6% from 31.1% for the year ended December 31, 2021 to 31.7% for the year ended December 31, 2022.

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 vigorously promoted 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 active development of minimally invasive and interventional oncology surgeries, the implementation of oncology subspecialties and the recruitment of outstanding medical talents, the Group achieved strong development of the oncology discipline. During the Reporting Period, the Group completed a total of 62,237 surgeries, and recorded a considerable rise in Level 3 or 4 surgery cases and initial consultation rate. The Group's in-network hospitals have been actively promoting the construction of oncology centers, such as Suzhou Yongding Hospital has opened over 10 oncology-related inpatient wards with the addition of the third medical oncology department, gastrointestinal oncology and hematology oncology, which have benefited more and more oncology patients; Hezhou Guangji Hospital actively promoted the construction of oncology MDT and obtained three municipal key specialties (general surgery (hepato-pancreato-biliary, gastrointestinal tract, thyroid and breast tumours), laboratory department and intensive care unit) with the breakthrough of scientific research technology, which have enhanced the characteristics of oncology discipline of the hospital; Shanxian Hygeia Hospital actively promoted endoscopic and interventional oncology surgery, and at the same time, strengthened the construction of oncology extension department to establish the hospital's oncology brand and better serve the surrounding patients.

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 and health lectures, and setting up an oncology screening base, the Group assists oncology patients in the 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. Suzhou Yongding Hospital actively responded to the call of the National Clinical Research Center for Digestive Diseases to participate in the research project of "community screening of colorectal cancer for

10,000 people”, and was awarded the title of “Excellent Unit” by the project team. Longyan Boai Hospital has established a gastroenterology ward to promote early gastrointestinal cancer screening, improve patients’ awareness of cancer prevention and early detection of the disease. Longyan Boai Hospital successfully held a training course on breast cancer screening and early diagnosis and treatment in Fujian Province to improve the level of cancer screening and treatment of medical staff.

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

The Group continues to strengthen international and inter-hospital oncology academic exchanges and cooperation, and comprehensively improves the level of oncology prevention and treatment in its in-network hospitals, benefiting more oncology patients. During the Reporting Period, the Group signed a strategic cooperation framework agreement with Hengrui Pharmaceuticals, the leading domestic innovative pharmaceutical company. The two parties will fully utilize their respective advantages in the field of medicine and health to cooperate in the areas of talent cultivation, academic exchange, scientific research and drug evaluation to jointly promote the improvement of treatment levels in the field of oncology. Chongqing Hygeia Hospital successfully held the “Hygeia — Sino-Japanese Symposium on Radiotherapy for Breast Cancer (海吉亞—中日乳腺癌放射治療研討會)” to share the cutting-edge oncology diagnosis and treatment concepts and broaden the clinical treatment ideas for oncology with experts from Japan Hyogo Cancer Center (日本賓庫癌症中心) and the industry. Suzhou Yongding Hospital carried out strategic cooperation on oncology treatment with surrounding hospitals, and promoted the construction of regional oncology medical service capabilities with a close and efficient hierarchical diagnosis and treatment collaboration system. Heze Hygeia Hospital collaborated with local medical institutions to build an “oncology medical consortium” to provide local oncology patients with higher-quality and more convenient services through technical assistance and two-way referrals. Suzhou Yongding Hospital signed an industry-university-research agreement with Suzhou Medical College of Soochow University, laying the foundation for the hospital’s long-term development in medical education and research.

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 131 articles in oncology specialties/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 December 31, 2022, the Group had 5,127 medical professionals in total, representing an increase of 832 compared to December 31, 2021. Among the medical professionals, 689 were chief physicians or associate chief physicians, representing an increase of 156 from December 31, 2021. For the year ended December 31, 2022, a total of 495 medical professionals were promoted to a higher professional grade.

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

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

The Group provides one-stop and whole life cycle 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 illness patients, the Group’s in-network hospitals have launched services such as home care for oncology patients and unaccompanied wards for oncology patients. The considerate care from medical staff of the Group enables oncology patients to experience “making healthcare services more accessible and affordable”.

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

Standardized and sustainable endogenous growth continues to expand the Group's healthcare service network

Self-owned hospitals are the core of the Group's development strategy and also its unique feature and strength. The Group accelerates the nationwide expansion of our oncology business to meet the growing needs of oncology patients in China.

1. Progress of work-in-progress hospitals

In April 2022, Liaocheng Hygeia Hospital was put into operation. Liaocheng Hygeia Hospital has an area of 112 mu and Phase I project has a total GFA of approximately 83,000 square meters, which can accommodate 800 beds. Leveraging on the Group's experience in operational management, the Group's core oncology business strengths and the support of the centralized and standardized replicable management system, Liaocheng Hygeia Hospital has achieved monthly break-even in November 2022. As the fourth self-owned hospital of the Group, Liaocheng Hygeia Hospital will adhere to the mission of "making healthcare services more accessible and affordable and making life healthier", safeguarding the health of the citizens of Liaocheng and surrounding areas.

Dezhou Hygeia Hospital 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. It is expected to commence operation in 2023.

The construction of the new project of Wuxi Hygeia Hospital started in November 2022. Wuxi Hygeia Hospital is designed to be a Class III general hospital with oncology specialties and will accommodate 800 to 1,000 beds. It is expected to commence operation in 2024.

Changshu Hygeia Hospital has acquired the land parcel through bidding in December 2022. The completion of the bidding signifies that the Changshu Hygeia Hospital project has entered into the overall construction preparation stage. Changshu Hygeia Hospital is planned to be a Class III hospital, and is designed to accommodate 800 to 1,200 beds. It is expected to 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 GFA of approximately 78,000 square meters and accommodates 1,000 beds. Once Phase II project commences operation, the total number of beds in the hospital will be increased to 1,500. Chongqing Hygeia Hospital was accepted as a Class III general hospital in March 2023. Chongqing Hygeia 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, 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 GFA of approximately 55,000 square meters and is designed to accommodate 500 beds. It is expected to be put into operation in the second quarter of 2023. Upon completion of the project, it will greatly improve the medical service level and public health emergency response capability of the hospital.

Chengwu Hygeia Hospital Phase II project is designed to accommodate 350 beds, as of December 31, 2022, the integrated ward building has completed the construction and Chengwu Hygeia Hospital Phase II is expected to be put into operation by the end of 2023.

Kaiyuan Jiehua Hospital Phase II project has acquired the land parcel through bidding in October 2022. The new land parcel has an area of approximately 16 mu with a planned construction area of approximately 15,000 square meters, which can accommodate 500 beds. Currently, Kaiyuan Jiehua Hospital Phase II project is in the pre-construction preparation stage. 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.

Further strengthen post-investment integration to stimulate the potential of hospitals and enhance oncology discipline development

After joining the Group, Suzhou Yongding Hospital and Hezhou Guangji Hospital leveraged on the advantages of the Group's extensive experience and resources in hospital management, oncology-related discipline development and supply chain support, and implemented measures such as remuneration and performance system reform, revenue structure optimization and investment of medical resources. Through such measures, their diagnosis and treatment capabilities and academic standards have been greatly improved, the business scale and operational efficiency have been significantly enhanced, thereby resulting in a continuous improvement of the sense of achievement among the employees, as well as the satisfaction of the patients. With the empowerment of the Group's centralised and standardised reproducible management system, these two hospitals strengthened the development of oncology discipline, actively launched diagnosis and treatment items including early oncology screening and radiotherapy, improved the development of such areas as general surgery and gastrointestinal oncology, and strengthened the recruitment and cultivation of medical talents in oncology to satisfy the medical needs of oncology patients in surrounding areas.

Suzhou Yongding Hospital has opened over 10 oncology-related wards and has added the third medical oncology department, gastrointestinal oncology and haematology oncology, to enhance its technical strength and management level on all sides. The disciplines of haematology and medical imaging were awarded the “Clinical Key Disciplines of Wujiang District in 2022 (2022年吳江區臨床重點學科)”. Suzhou Yongding Hospital and the neighbouring hospitals conducted strategic cooperation in oncology treatment through consultation and discussion of difficult cases and scientific research cooperation to share resources, complement each other’s advantages and promote the establishment of regional oncology diagnosis and treatment capacity. Suzhou Yongding Hospital has also become the designated treatment and support unit of the Suzhou Wuzhong District Cancer Rehabilitation Association, providing high-quality and efficient medical services and humane care to members of the Association with a patient-centred approach. For the year ended December 31, 2022, the oncology revenue of Suzhou Yongding Hospital increased by 49.9% over the previous year.

Hezhou Guangji Hospital was granted three municipal key specialties, and completed the inspection and acceptance of the new complex which was put into operation. Hezhou Guangji Hospital also carried out the expansion and renovation of core wards such as oncology and intensive care unit to improve the overall medical environment. In addition, through the introduction of advanced equipment, it further improved the hospital’s oncology development capacity and optimized the distribution of medical resources to better serve oncology patients. For the year ended December 31, 2022, the oncology revenue of Hezhou Guangji Hospital increased by 59.4% over the previous year.

Participate in medical public welfare activities to assume corporate responsibility

During the Reporting Period, the Group continued to respond to national policies and industry development trends. While providing good service to patient, the Group proactively engaged in social welfare, actively assumed corporate social responsibility and strived to achieve organic unity between economic and social benefits.

In 2022, the Group’s hospitals fully utilised their medical expertise and services, completing a total of 370 charity clinics and conducting 282 health talks on oncology prevention and treatment to provide high-quality and convenient medical services to local residents.

The Group’s hospitals promoted the spirit of “honouring life and love (敬佑生命、大愛無疆)” and actively organized public welfare activities such as blood donation and blood stem cell donation, so that the transmission of love can be as sustainable as blood. They continued to conduct visiting activities for the orphaned and helpless elderly people, children in social welfare institutions, poor patients, veterans, firefighters, old party members, sanitation workers and workers under new forms of employment, providing them with health check-ups and health consultation services. In October 2022, Liu Guangqing (劉廣晴) from the oncology department of Chengwu Hygeia Hospital successfully donated blood stem cells to

a young girl suffering from aplastic anaemia, realizing a miracle of life. Since October 2022, Suzhou Yongding Hospital has waived the registration fee for retired military personnel, preferential treatment recipients and unpaid blood donors, carrying forward the fine tradition of patriotism, support of the army, and devotion to the people.

During the Reporting Period, the brand image and social influence of Hygeia Hospital continued to grow. Suzhou Canglang Hospital was awarded the “Suzhou May Day Labour Award (蘇州市五一勞動獎)”；Hezhou Guangji Hospital became the first “Hospital Supporting the Army (擁軍醫院)” in Guangxi Zhuang Autonomous Region; Shanxian Hygeia Hospital was awarded the “Caring Charity Unit (愛心慈善單位)”, “Advanced Unit for Women’s and Children’s Health Work in Shanxian (單縣婦幼健康工作先進單位)” and “Innovative Organisation of Blood Donation for Welcoming the 20th National Congress of the Communist Party of China (喜迎「二十大」無償獻血先進單位)”；Chengwu Hygeia Hospital was awarded the “Top 10 Enterprises Supporting the Army (十佳擁軍企業)” in Chengwu County; Kaiyuan Jiehua Hospital was awarded the “Advanced Group in Helping People with Disabilities in the 13th Five-Year Plan Period of Kaiyuan City (開遠市「十三五」助殘先進集體)”；Liaocheng Hygeia Hospital was awarded the “2022 Liaocheng Caring Enterprise (2022年聊城市愛心企業)” and the “Caring Charity Hospital (愛心慈善醫院)”；Chongqing Hygeia Hospital was awarded the honorary title of “Caring Unit (愛心單位)”；and the renal hemodialysis department of Longyan Boai Hospital was awarded the “Longyan May Day Pioneer Post (龍岩市五一先鋒崗)”.

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. For the year ended December 31, 2022, the Group’s anti-corruption training coverage rate was 100%.

During the Reporting Period, Suzhou Yongding Hospital was awarded the “2022 Annual Major Taxpayer of Wujiang District (2022年度吳江區納稅大戶)” by the Suzhou Wujiang District Committee of Communist Party of China and the People’s Government of Wujiang District, and the “2021 Annual Pioneer Enterprise Taxpayer of Service Industry (2021年度服務業納稅先鋒企業)” by the Party Working Committee and Management Committee of East Taihu Resort (Taihu New Town), and the hospital president, Ms. Chen Yan (陳豔) was awarded the honorary title of “The Most Beautiful Person in Medical Insurance Area (最美醫保人)” in Wujiang by the Medical Insurance Bureau of Wujiang District for the first time; Shanxian Hygeia Hospital was awarded the “2021 Annual Economic Development

Contribution Award (2021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, and was awarded the “Medical Insurance Advanced Unit in Heze City (菏澤市醫保先進單位)” by Heze Municipal Medical Insurance Bureau; Suzhou Canglang Hospital was awarded “Outstanding Contribution Enterprise in 2021 (2021年度傑出貢獻企業)” by the Gusu District Committee of Communist Party of China and the People’s Government of Gusu District; Hezhou Guangji Hospital received an excellent rating in the Hezhou Municipal Medical Insurance Bureau’s 2021 Annual Assessment of Municipal Medical Insurance Designated Institutions; the president of Chongqing Hygeia Hospital, Mr. Zhang Hongfei (張鴻飛) was awarded the “Top Ten Outstanding Young Entrepreneurs of Chongqing (重慶市十大傑出青年企業家)”;

Ms. Zhao Dengmei (趙登梅), the head of the medical insurance department of Chengwu Hygeia Hospital was awarded the Advanced Individual in Medical Insurance Management in Shandong Province; and Mr. Lu Huatong (魯華通) from the medical insurance department of Heze Hygeia Hospital was designated as the “Knowledgeable Person about Medical Insurance in Shandong Province (山東省醫保明白人)”.

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 humanised services, constantly strengthened its diagnostic and treatment capabilities, and continuously improved the medical experience. Shanxian Hygeia Hospital has set up a voluntary service post for hospital president in the outpatient lobby to provide comprehensive care for patients; Liaocheng Hygeia Hospital provides free footbaths for inpatients to keep their feet warm and their hearts warmer; and Chongqing Hygeia Hospital held birthday celebration for liver cancer patients to encourage them to rekindle their faith and hope in life. All hospitals in the Group provided year-round outpatient service (including public holidays). In 2022, Suzhou Yongding Hospital has been the first hospital in Suzhou to provide both morning and night-time outpatient services. 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 maximise hospitals’ intake and protect the lives and health of patients.

The Group attached great importance to investor relations management, continuously improved its corporate governance, strictly fulfilled its information disclosure obligations and protected the legitimate interests of Shareholders, especially the minority Shareholders. From December 2021 to January 2022, Mr. Zhu Yiwen, the controlling Shareholder, Chairman and Chief Executive Officer of the Company, and the management team continuously increased their shareholding in the Company with a total of around 1,000,000 shares. From January to March 2022, the Company repurchased and cancelled 1,275,800 shares. The management and staff of the Company were working together to enhance the

inherent value of the Company and create good investment returns for investors. For the year ended December 31, 2022, the Group was awarded the “Top 10 Most Influential Listed Companies of 2021 in Medical Services (2021年度最具影響力醫療服務上市公司Top10)” and selected among the “5th New Fortune Best IR of Hong Kong Listed Companies (H Share) List (第五屆新財富最佳IR港股公司 (H股))”. Mr. Zhu Yiwen, the founder, Chairman and Chief Executive Officer of the Group, was awarded the title of “Wei Lan Award — Entrepreneur of the Year (蔚瀾獎 • 年度風雲企業家)”.

The Group strictly complied with the Labour Law, the Labour Contract Law and other relevant laws and regulations, and established a sound system of labour protection, remuneration and benefits to protect the legitimate rights and interests of its employees. The Group regularly organised birthday parties, reading clubs, themed group activities and other forms of caring and exchange 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. Suzhou Canglang Hospital was awarded as an “Enterprise with Harmonious Labour Relations (勞動關係和諧企業)” by Suzhou City and Gusu District for many times. The Company continued to improve and optimise its remuneration system and set up long-term incentive mechanisms such as the share option scheme to realise the mutual development of the Group and its staff.

For the year ended December 31, 2022, the Group’s ESG ratings from S&P Global, FTSE Russell and Sustainalytics all improved to a greater extent, demonstrating the Group’s strong ESG achievement.

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. There are over 4 million new oncology patients in China every year, 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 growing incidence of tumors and other age-related diseases brought by the ageing population. According to Frost & Sullivan’s analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a CAGR of approximately 11.5% from 2021 to 2025. The Group believes that by leveraging 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 services will be constantly improved to facilitate the rapid development of private medical services. The Group will seize this opportunity to continuously expand its operation network to provide multi-level and diversified services to increasing number of oncology patients.

Looking forward, the Group expects to:

Continue to focus on the core oncology-related business, and prioritize patient satisfaction. Through continuous improvement of diagnosis and treatment technology and service standard, 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: by actively facilitating the land parcel reserve of new hospital projects, construction of work-in-progress hospital projects and construction of the Phase II projects of 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, and improving the oncology medical service capabilities of the target hospitals through post-investment integration, so as to continuously strengthen the Group’s integration capability in oncology-related industries.

Continue to reinforce the modular matrix management model, standardize and refine our 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 in-network hospitals on an on-going basis by fully leveraging on 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 standardizing 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 38.0% to RMB3,195.6 million for the year ended December 31, 2022 from RMB2,315.3 million for the year ended December 31, 2021.

Hospital Business

The Group's revenue from hospital business, accounting for 94.7% of the Group's total revenue, increased by 40.8% to RMB3,027.3 million for the year ended December 31, 2022 from RMB2,150.2 million for the year ended December 31, 2021. The increase in the revenue from hospital business was primarily attributable to (i) the continuous growth of revenue from existing hospitals due to business expansion; and (ii) relying on the strength of the Group's oncology-related business, the oncology business of acquired hospitals has been developing rapidly, resulting in rapid growth in revenue of acquired hospitals.

Other Business

The Group's revenue from other business, mainly including third-party radiotherapy business and hospital management business, accounted for 5.3% of the Group's total revenue, increased by 1.9% to RMB168.4 million for the year ended December 31, 2022 from RMB165.2 million for the year ended December 31, 2021.

Cost of Revenue

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

The Group's cost of revenue increased by 39.1% to RMB2,167.1 million for the year ended December 31, 2022 from RMB1,557.9 million for the year ended December 31, 2021, which was mainly due to the increase in cost of revenue as a result of the continued increase in the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 35.8% to RMB1,028.6 million for the year ended December 31, 2022 from RMB757.5 million for the year ended December 31, 2021.

The Group's gross profit margin decreased to 32.2% for the year ended December 31, 2022 from 32.7% for the year ended December 31, 2021, which was primarily attributable to (i) the increase in share-based compensation expenses of RMB21.6 million as the Group granted options in November 2021 in order to motivate outstanding staffs, promote their sense of belonging and sense of mission and achieve the long-term development of the Group; (ii) the increase in the depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB1.5 million; and (iii) additional pandemic prevention and control costs incurred in active response to the call for pandemic prevention and control.

Benefiting from the further improvement in management efficiency of the Group, the non-IFRS adjusted gross profit margin of the hospital business increased by 0.6% to 31.7% for the year ended December 31, 2022 from 31.1% for the year ended December 31, 2021.

Selling Expenses

During the Reporting Period, the Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. The Group's selling expenses increased by 24.3% to RMB26.1 million for the year ended December 31, 2022 from RMB21.0 million for the year ended December 31, 2021, which was primarily due to the business expansion and continued growth of revenue. The ratio of selling expenses to total revenue decreased from 0.9% in 2021 to 0.8% in 2022.

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 29.9% to RMB296.9 million for the year ended December 31, 2022 from RMB228.5 million for the year ended December 31, 2021, primarily due to: (i) an increase in administrative expenses as a result of the continuous increase in revenue; (ii) an increase in share-based compensation expenses of RMB9.7 million; and (iii) additional administrative expenses incurred by pandemic prevention and control. The ratio of administrative expenses to total revenue decreased from 9.9% in 2021 to 9.3% in 2022.

Other Income

During the Reporting Period, the Group's other income was primarily composed of government grants. The Group's other income increased by 33.1% to RMB21.3 million for the year ended December 31, 2022 from RMB16.0 million for the year ended December 31, 2021, primarily due to the increase of RMB5.0 million in the income from government grants.

Other (Losses)/Gains — Net

During the Reporting Period, the Group's other (losses)/gains — net was primarily from net foreign exchange losses. The Group recorded other losses — net of RMB60.1 million for the year ended December 31, 2022 and other gains — net of RMB69.8 million for the year ended December 31, 2021, with other losses increased by RMB129.9 million in aggregate, primarily due to: (i) an increase of RMB80.7 million in net foreign exchange losses; and (ii) a decrease of RMB43.9 million in realised and unrealised gains on financial assets at fair value through profit or loss.

Finance Income and Costs

During the Reporting Period, the Group's finance income was composed of interest income on bank savings. Finance income increased to RMB17.3 million for the year ended December 31, 2022 from RMB2.2 million for the year ended December 31, 2021.

During the Reporting Period, the Group's finance costs were mainly composed of the Group's interest expenses on bank borrowings. The Group's finance costs increased to RMB40.8 million for the year ended December 31, 2022 from RMB23.1 million for the year ended December 31, 2021, primarily due to the increase of RMB11.7 million in the expenses of interests on bank borrowings.

Income Tax Expense

The Group's income tax expense increased by 34.9% to RMB161.4 million for the year ended December 31, 2022 from RMB119.6 million for the year ended December 31, 2021, primarily due to an increase of 35.8% in profits before tax after deduction of adjusted items that were not deductible for tax purposes, such as share-based compensation expenses and profit or loss of overseas companies.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 6.3% to RMB481.9 million for the year ended December 31, 2022 from RMB453.2 million for the year ended December 31, 2021. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including net foreign exchange losses, share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals and gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital. The Group's non-IFRS adjusted net profit increased by 34.7% to RMB607.0 million for the year ended December 31, 2022 from RMB450.6 million for the year ended December 31, 2021.

Non-IFRS Measures

To supplement the Group's consolidated statement of comprehensive income which are presented in accordance with IFRS, the Company has provided adjusted gross profit, adjusted gross profit margin and 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 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 has limitations as an analytical tool, as such, they should not be considered in isolation from, or as a substitute for analysis of, the Group's consolidated statement of comprehensive income as reported under IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

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

	Year ended December 31,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Gross profit	<u>1,028,553</u>	<u>757,499</u>
Adjustments:		
Add:		
Share-based compensation expenses	26,134	4,536
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	<u>4,256</u>	<u>2,747</u>
Non-IFRS adjusted gross profit	<u>1,058,943</u>	<u>764,782</u>
	Year ended December 31,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net profit	<u>481,876</u>	<u>453,203</u>
Adjustments:		
Add:		
Net foreign exchange losses	77,272	—
Share-based compensation expenses	38,085	6,759
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	9,780	6,093
Gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital	<u>—</u>	<u>(15,449)</u>
Non-IFRS adjusted net profit	<u>607,013</u>	<u>450,606</u>

Liquidity and Capital Resources

As of December 31, 2022, the Group had cash and cash equivalents of RMB853.8 million, as well as wealth management products and deposit certificate of RMB30.9 million.

Cash Flow

Operating Activities

During the Reporting Period, the Group derived its cash inflow primarily through provision of medical 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 60.8% to RMB685.4 million for the year ended December 31, 2022 from RMB426.3 million for the year ended December 31, 2021, 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 acquisition of subsidiaries, payments for purchases of property, plant and equipment and payments for purchases of financial assets at fair value through profit or loss. The Group's cash generated from investing activities was mainly composed of proceeds from disposal of financial assets at fair value through profit or loss.

The Group's net cash used in investing activities decreased by 56.3% to RMB372.1 million for the year ended December 31, 2022 from RMB850.8 million for the year ended December 31, 2021. The decrease in net cash used in investing activities of RMB478.7 million was primarily attributable to: (i) the decrease in the payment for acquisition of subsidiaries by the Group of RMB1,901.3 million; and (ii) the decrease in net cash inflow from disposing and purchasing financial assets at fair value through profit or loss of RMB1,477.0 million.

Financing Activities

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

The Group's net cash used in financing activities for the year ended December 31, 2022 was RMB154.2 million, while the net cash generated from financing activities for the year ended December 31, 2021 was RMB754.5 million. The decrease in net cash flow from financing activities of RMB908.7 million was mainly due to the decrease in proceeds from bank borrowings of RMB802.8 million.

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 decreased by 9.3% to RMB606.9 million for the year ended December 31, 2022 from RMB669.0 million for the year ended December 31, 2021.

Significant Investments, Material Acquisitions and Disposals

On July 25, 2022, the Group announced the acquisition of 1% equity interest in Hezhou Guangji Hospital, pursuant to which the target hospital became a wholly-owned subsidiary of the Company, and the acquisition was completed on July 28, 2022. Please refer to the announcement of the Company dated July 25, 2022 for more details.

On September 6, 2022, the Group announced the acquisition of 30% equity interest in Kaiyuan Jiehua Hospital, which was completed on September 20, 2022. Please refer to the announcement of the Company dated September 6, 2022 for more details.

Save as disclosed above, the Group did not have any other material acquisition or disposal for the year ended December 31, 2022.

Financial Position

Total Assets and Total Liabilities

As of December 31, 2022, the Group's total assets were mainly composed of cash and cash equivalents, financial assets at fair value through profit or loss, trade, other receivables and prepayments, property, plant and equipment, inventories, intangible assets and prepayments for property, plant and equipment. The Group's total assets increased by 8.3% to RMB7,241.9 million as of December 31, 2022 from RMB6,686.9 million as of December 31, 2021.

As of December 31, 2022, the Group's total liabilities were mainly composed of borrowings, trade and other payables, current income tax liabilities, deferred income tax liabilities, deferred revenue and contract liabilities. The Group's total liabilities increased by 4.2% to RMB2,301.9 million as of December 31, 2022 from RMB2,209.2 million as of December 31, 2021.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 43.6% to RMB153.9 million as of December 31, 2022 from RMB107.2 million as of December 31, 2021.

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances of the receivables arising from the provision of healthcare services. The Group's trade receivables increased by 33.6% to RMB594.6 million as of December 31, 2022 from RMB445.2 million as of December 31, 2021, primarily due to the increase in the balance of trade receivables as a result of the continuous increase in revenue.

The Group's other receivables mainly represented land deposits receivables. The Group's other receivables increased by 95.3% to RMB49.4 million as of December 31, 2022 from RMB25.3 million as of December 31, 2021.

The Group's prepayments for current assets mainly included prepayments to suppliers. The Group's prepayments to suppliers increased by 72.3% to RMB50.3 million as of December 31, 2022 from RMB29.2 million as of December 31, 2021.

The Group's prepayments for non-current assets included prepayments for property, plant and equipment. Prepayments for property, plant and equipment represented prepaid construction fees to contractors which undertook the construction work of the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment increased by 56.7% to RMB78.5 million as of December 31, 2022 from RMB50.1 million as of December 31, 2021.

Intangible Assets

The Group's intangible assets were primarily comprised of goodwill, software, contractual rights to provide management services, and medical licenses. The Group's intangible assets increased by 0.1% to RMB2,383.9 million as of December 31, 2022 from RMB2,381.2 million as of December 31, 2021.

Trade and Other Payables

The Group's trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of radiotherapy center services. The Group's trade payables increased by 28.5% to RMB396.2 million as of December 31, 2022 from RMB308.3 million as of December 31, 2021.

The Group's other payables primarily represented salaries payables, other taxes payables, payables for construction projects, payables of considerations for acquisition of subsidiaries and prepayments received for radiotherapy equipment licensing. The Group's other payables decreased by 18.8% to RMB344.6 million as of December 31, 2022 from RMB424.2 million as of December 31, 2021, primarily due to (i) the decrease of RMB158.4 million in the payables of considerations for acquisition of subsidiaries; and (ii) the increase of RMB59.8 million in the payables for construction projects.

Borrowings

As of December 31, 2022, the Group had outstanding short-term borrowings of RMB180.4 million and long-term borrowings of RMB1,102.9 million.

Pledge of Assets

Except for equity pledge and pledge of property, plant and equipment of the Group mentioned in Note 14 to the consolidated financial statements, the Group had no other pledged assets as of December 31, 2022.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities decreased by 10.2% to RMB29.2 million as of December 31, 2022 from RMB32.5 million as of December 31, 2021.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of December 31, 2022 were primarily related to commitments for (i) the construction and renovation of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 29.7% to RMB583.4 million as of December 31, 2022 from RMB449.8 million as of December 31, 2021.

Contingent Liabilities

As of December 31, 2022, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, liabilities under acceptance or acceptance credits, or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

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

Gearing Ratio

Gearing ratio is calculated as net debt divided by total equity and multiplied by 100%. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. The gearing ratio of the Group as of December 31, 2022 was 8.8%.

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The monetary assets and monetary liabilities denominated in foreign currency as of December 31, 2022 amounted to RMB21.9 million and RMB696.5 million, respectively. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the year ended December 31, 2022 would have been RMB33.7 million higher/lower. The Group has not used any derivative contracts to hedge against foreign exchange risk.

Interest Rate Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

FINAL DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.15 per share (totaling approximately RMB94.7 million) for the year ended December 31, 2022, which is subject to the approval of the Shareholders at the AGM. The final dividend is expected to be paid to the Shareholders on or before July 27, 2023. The dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on July 7, 2023.

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

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

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$2,391.9 million and the unutilized net proceeds were kept at the bank accounts of the Group as at December 31, 2022.

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

Details on the applications of the net proceeds from the Listing (adjusted on a pro rata basis 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 December 31, 2022 as well as the expected timeline for utilization:

	Planned applications	Amount available for utilization as revised	Amount utilized	Remaining amount	Expected timeline for utilization⁽¹⁾
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
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	18.4	101.2	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	—	N/A
Total	<u>2,391.9</u>	<u>2,391.9</u>	<u>2,290.7</u>	<u>101.2</u>	

Note:

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

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

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

Details of the Shares repurchased during the Reporting Period are as follows:

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

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

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 5,816 full-time employees, among whom 84 were employees at the headquarters level and 5,732 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of December 31, 2022:

Functions	Number of employees	% of total employees
Headquarters level		
Operations	46	0.8
Manufacturing	17	0.3
Management, administrative and others	21	0.3
Sub-total	84	1.4
Self-owned hospitals		
Physicians	1,523	26.2
Other medical professionals	3,152	54.2
Management, administrative and others	1,057	18.2
Sub-total	5,732	98.6
Total	5,816	100.0

For the year ended December 31, 2022, total staff remuneration expenses including Directors' remuneration amounted to RMB1,049.8 million (for the year ended December 31, 2021: RMB718.6 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

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

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

The Group provides both in-house and external trainings for its employees to improve their skills and knowledge. Remuneration packages for the employees of the Group were mainly composed of a base salary and performance-related bonus. The Group sets performance targets for its employees primarily based on their position and department and periodically 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.

SHARE OPTION SCHEME

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

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares (“**Share Options**” or “**Option(s)**”), which represents 3% of the total number of issued Shares of the Company as at October 15, 2021. No Options shall be granted to any eligible person (“**Relevant Eligible Person**”) if the number of Shares issued and to be issued upon the exercise of all Options granted and to be granted (including exercised, cancelled and outstanding options) to the Relevant Eligible Person in the 12-month period up to and including the offer date of the relevant Option would exceed 1% of the total number of Shares in issue at such time. The Share Option Scheme will be valid and effective for a period of 10 years commencing from October 15, 2021. The exercise period of the granted options will be ten (10) years from the date of grant. During the year ended December 31, 2022, no Share Options were exercised.

An offer shall be deemed to have been granted and the Option to which the offer relates shall be deemed to have been accepted when the Company receives the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance of the Option price, being HK\$1.00 payable for each acceptance of grant of an Option, to the Company. The 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 16 to the consolidated financial statements.

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

Category of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of grant	Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested as at December 31, 2022	Exercised during the Reporting Period	Lapsed/ forfeited during the Reporting Period (Note 4)	Outstanding as at December 31, 2022	Vesting date (Note 3)
Directors										
Mr. Zhu Yiwen	November 12, 2021	HK\$66.80	HK\$66.05	280,000	—	—	—	—	280,000	(Note 1)
Ms. Cheng Huanhuan	November 12, 2021	HK\$66.80	HK\$66.05	80,000	—	—	—	—	80,000	(Note 1)

Category of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of grant	Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested as at December 31, 2022	Exercised during the Reporting Period	Lapsed/ forfeited during the Reporting Period (Note 4)	Outstanding as at December 31, 2022	Vesting date (Note 3)
Mr. Ren Ai	November 12, 2021	HK\$66.80	HK\$66.05	120,000	—	—	—	—	120,000	(Note 1)
Mr. Zhang Wenshan	November 12, 2021	HK\$66.80	HK\$66.05	60,000	—	—	—	—	60,000	(Note 1)
Ms. Jiang Hui	November 12, 2021	HK\$66.80	HK\$66.05	60,000	—	—	—	—	60,000	(Note 1)
Sub-total				600,000	—	—	—	—	600,000	
Employees in aggregate										
557 employees	November 12, 2021	HK\$66.80	HK\$66.05	7,259,000	—	—	—	521,000	6,738,000	(Note 2)
Sub-total				7,259,000	—	—	—	521,000	6,738,000	
Total				7,859,000	—	—	—	521,000	7,338,000	

Notes:

Note 1

As of December 31, 2022, 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 December 31, 2022, 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 recognised in relation to such share options are reversed on the effective date of the forfeiture.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all the applicable code provisions of the CG Code throughout the year ended December 31, 2022 (except as disclosed below).

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

structure of the Company will ensure management efficiency and at the same time, protect the rights and interests 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 for the year ended December 31, 2022.

AUDIT COMMITTEE

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

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting standards and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2022, and has recommended for the Board's approval thereof.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended December 31, 2022 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2022. The work performed by

PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

SUBSEQUENT EVENT

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 Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, not less than six places to subscribe for, or failing which to subscribe itself as principal, 14,800,000 placing shares at a price of HK\$53.50 per Share on the terms and subject to the conditions set out in the placing agreement (the “**Placing**”). The Placing was completed on January 11, 2023. Details in relation to the Placing were set out in the announcements of the Company dated January 4, 2023 and January 11, 2023.

Save as disclosed above, there was no significant event that might affect the Group after the Reporting Period.

ANNUAL GENERAL MEETING

The AGM will be held on June 28, 2023. A notice convening the AGM will be published on the Company’s website and the Stock Exchange’s website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from June 23, 2023 to June 28, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM. During such period, no transfers of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on June 28, 2023 will be June 28, 2023. In order to be eligible for attending the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on June 21, 2023.

To determine the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will be closed from July 4, 2023 to July 7, 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to the payment of final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on July 3, 2023.

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

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

The Board of Directors (the “**Board**”) of Hygeia Healthcare Holdings Co., Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2022 together with the comparative figures for the same period in 2021:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,	
		2022	2021
		RMB'000	RMB'000
Revenue	3	3,195,648	2,315,349
Cost of revenue	3,6	(2,167,095)	(1,557,850)
Gross profit		1,028,553	757,499
Selling expenses	6	(26,091)	(20,976)
Administrative expenses	6	(296,927)	(228,523)
Other income	4	21,336	16,012
Other (losses)/gains — net	5	(60,050)	69,763
Operating profit		666,821	593,775
Finance income	7	17,318	2,155
Finance costs	7	(40,828)	(23,085)
Finance costs-net		(23,510)	(20,930)
Profit before income tax		643,311	572,845
Income tax expense	8	(161,435)	(119,642)
Profit and total comprehensive income for the year		481,876	453,203
Profit and total comprehensive income attributable to			
— Owners of the Company		476,784	441,457
— Non-controlling interests		5,092	11,746
Earnings per share (expressed in RMB per share)			
— Basic earnings per share (<i>in RMB</i>)	9	0.77	0.71
— Diluted earnings per share (<i>in RMB</i>)	9	0.77	0.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
		2,998,903	2,517,144
		2,383,850	2,381,150
	12	78,544	50,082
		31,174	17,790
Total non-current assets		5,492,471	4,966,166
Current assets			
		153,859	107,180
	12	694,293	499,663
		16,608	9,460
	11	30,946	397,400
	10	853,768	707,069
Total current assets		1,749,474	1,720,772
Total assets		7,241,945	6,686,938
EQUITY			
Equity attributable to owners of the Company			
	13	7,047,087	7,082,915
		(2,851,903)	(2,929,602)
		738,573	303,141
		4,933,757	4,456,454
Non-controlling interests		6,306	21,258
Total equity		4,940,063	4,477,712

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	1,102,860	1,196,478
Deferred income tax liabilities		126,982	115,250
Deferred revenue		34,573	34,431
Lease liabilities		3,128	416
Other non-current liabilities		8,308	8,044
Total non-current liabilities		1,275,851	1,354,619
Current liabilities			
Trade and other payables	<i>15</i>	740,847	732,461
Amounts due to related parties		—	48
Contract liabilities		29,204	32,485
Current income tax liabilities		72,850	54,848
Lease liabilities		2,727	392
Borrowings	<i>14</i>	180,403	34,373
Total current liabilities		1,026,031	854,607
Total liabilities		2,301,882	2,209,226
Total equity and liabilities		7,241,945	6,686,938

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the Businesses (as described in below (i) and (ii)), in the People's Republic of China (the "**PRC**").

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

In light of the minimal revenue contribution from abovementioned (a), (b) and (c) to the Group's total revenue for the year ended December 31, 2022, the Group classified them as "Other Business". The same classification was applied to the revenue for the year ended December 31, 2021 for comparative purpose.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(ii) ***Historical cost convention***

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

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

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 37	Onerous contracts-cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16	Property, plant and equipment-proceeds before intended use	January 1, 2022
Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual improvements to IFRS Standards 2018 to 2020	January 1, 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	January 1, 2022

(iv) *New standards, amendments and interpretations not yet been adopted*

		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
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	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, amendments and interpretations. 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 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

- Hospital Business; and
- Other Business.

The CODM assesses the performance of the operating segments mainly based on segment revenues, 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.

	Year ended December 31, 2022			
	Hospital Business	Other Business	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3,027,260	168,388	—	3,195,648
Cost of revenue	(2,097,555)	(69,540)	—	(2,167,095)
Gross profit	929,705	98,848	—	1,028,553
Selling expenses	(26,091)	—	—	(26,091)
Administrative expenses	(227,873)	(13,635)	(55,419)	(296,927)
Other income	16,301	4,931	104	21,336
Other gains/(losses) — net	8,876	(218)	(68,708)	(60,050)
Segment profit	700,918	89,926	(124,023)	666,821
Finance income				17,318
Finance costs				(40,828)
Finance costs — net				(23,510)
Profit before income tax				643,311
As at December 31, 2022				
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				
Depreciation of property, plant, and equipment	127,511	12,285	2,302	142,098
Amortization of intangible assets	9,831	698	554	11,083
Additions of non-current assets except for goodwill and deferred income tax assets	660,436	15,847	5,807	682,090

	Year ended December 31, 2021			
	Hospital Business	Other Business	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,150,190	165,159	—	2,315,349
Cost of revenue	(1,488,454)	(69,396)	—	(1,557,850)
Gross profit	<u>661,736</u>	<u>95,763</u>	<u>—</u>	<u>757,499</u>
Selling expenses	(20,976)	—	—	(20,976)
Administrative expenses	(174,811)	(20,028)	(33,684)	(228,523)
Other income	10,155	4,480	1,377	16,012
Other gains/(losses) — net	<u>16,542</u>	<u>(2,577)</u>	<u>55,798</u>	<u>69,763</u>
Segment profit	<u>492,646</u>	<u>77,638</u>	<u>23,491</u>	<u>593,775</u>
Finance income				2,155
Finance costs				<u>(23,085)</u>
Finance costs — net				<u>(20,930)</u>
Profit before income tax				<u><u>572,845</u></u>
As at December 31, 2021				
Assets				
Segment Assets	3,252,184	162,133	1,019,555	4,433,872
Goodwill	<u>2,235,276</u>	<u>—</u>	<u>—</u>	<u>2,235,276</u>
Deferred income tax assets				<u>17,790</u>
Total Assets				<u><u>6,686,938</u></u>
Liabilities				
Segment Liabilities	<u>2,032,214</u>	<u>45,793</u>	<u>15,969</u>	<u>2,093,976</u>
Deferred income tax liabilities				<u>115,250</u>
Total Liabilities				<u><u>2,209,226</u></u>
Other segment information				
Depreciation of property, plant, and equipment	92,986	10,597	2,379	105,962
Amortization of intangible assets	6,704	1,364	417	8,485
Additions of non-current assets except for goodwill and deferred income tax assets	1,386,990	12,761	384	1,400,135

(b) Revenue by business line and nature:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Hospital Business		
— Outpatient services	1,097,754	741,352
— Inpatient services	1,929,506	1,408,838
Other Business	168,388	165,159
Total revenue	3,195,648	2,315,349
Including revenue from contracts with customers	3,144,566	2,256,573

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

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
— Inpatient services	132,249	103,277
— Other Business	86,284	82,377
Over time	218,533	185,654
— Inpatient services	1,797,257	1,305,561
— Outpatient services	1,097,754	741,352
— Other Business	31,022	24,006
At a point in time	2,926,033	2,070,919
Revenue from contracts with customers	3,144,566	2,256,573

(c) **Geographical information**

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

(d) **Information about major customers**

All the revenues derived from single external customers were less than 10% of the Group's total revenues for the years end December 31, 2022 and 2021.

4 OTHER INCOME

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	19,631	14,593
Others	1,705	1,419
	<u>21,336</u>	<u>16,012</u>

5 OTHER (LOSSES)/GAINS — NET

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange (losses)/gains	(70,885)	9,812
Realised and unrealised gains on financial assets at FVPL	2,392	46,279
Losses on disposal of property, plant and equipment, and intangible assets	(454)	(3,371)
Gain on bargain purchase	—	15,449
Others	8,897	1,594
	<u>(60,050)</u>	<u>69,763</u>

6 EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefits expenses	1,049,765	718,587
Cost of pharmaceutical, medical consumables and other inventories	893,951	649,770
Depreciation and amortization	153,181	114,447
Consultancy and professional service fees	108,052	92,745
Radiotherapy service fees	83,752	76,589
Utilities, cleaning and afforestation expenses	72,037	43,126
Travelling, entertainment, vehicle and office expenses	33,002	27,776
Taxation expenses	18,579	11,233
Repair and maintenance expenses	11,485	12,843
Marketing and promotion expenses	6,881	6,292
Auditor's remuneration		
— Audit services	3,500	5,450
Rental expenses	2,002	2,134
Other expenses	53,926	46,357
	<u>2,490,113</u>	<u>1,807,349</u>

7 FINANCE COSTS — NET

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income of bank savings	17,318	2,155
Finance costs		
Interest expense on borrowings	(50,117)	(22,976)
Interest expense on lease liabilities	(158)	(109)
Net exchange losses on foreign currency borrowings	(5,947)	—
	(56,222)	(23,085)
Amount capitalised (i)	15,394	—
Finance costs expensed	<u>(40,828)</u>	<u>(23,085)</u>
Finance costs — net	<u>(23,510)</u>	<u>(20,930)</u>

- (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 year, in this case 4.08% (2021: not applicable).

8 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— PRC corporate income tax	163,087	104,591
Deferred income tax	(1,652)	15,051
	<u>161,435</u>	<u>119,642</u>

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

The Company's subsidiary, Chongqing Hygeia Hospital Co., Ltd. ("**Chongqing Hygeia Hospital**"), Hezhou Guangji Hospital Co., Ltd. ("**Hezhou Guangji Hospital**"), Kaiyuan Jiehua Hospital Co., Ltd (Hereinafter, "Kaiyuan Jiehua Hospital" represents for the pre-reform non-profit entity before May 31, 2021, while "Kaiyuan Jiehua Hospital Co., Ltd." represents for the post-reform entity which is consolidated by the Group) and Hygeia Medical Management (Chongqing) 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 compliances with the policies which are subject to a tax concession rate of 15% for the years ended December 31, 2022 and 2021.

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("**Gamma Star Tech**"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% for the years ended December 31, 2022 and 2021. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech will qualify as a "High and New Technology Enterprise" after the expire date and thus will further be subjected to a 15% preferential tax rate.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at December 31, 2022, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB1,088,980,000 (December 31, 2021: RMB551,532,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

(b) Numerical reconciliation of income tax expense

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	643,311	572,845
Tax calculated at applicable statutory tax rate of 25%	160,828	143,211
Effect of different tax rates	(10,254)	(25,905)
Items not deductible for tax purposes	12,739	3,613
Additional deduction on research and development expenses	(1,878)	(1,277)
	<u>161,435</u>	<u>119,642</u>

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2022 and 2021.

	Year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	476,784	441,457
Weighted average number of shares in issue	616,820,507	618,000,000
Basic earnings per share (in RMB)	<u>0.77</u>	<u>0.71</u>

(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 16). For the year ended December 31, 2022 and 2021, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares. During the year ended December 31, 2022 and 2021, 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 year ended December 31, 2022 and 2021 are the same as basic earnings per share.

10 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	853,768	707,069

Cash and deposits were denominated in the following currencies:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	831,902	699,308
USD	21,614	7,722
HKD	252	39
	853,768	707,069

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Structured deposit products	—	200,027
Wealth management products	30,946	197,373
	30,946	397,400

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

The structured deposit products and wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 1.1% to 3.7% per annum for the year ended December 31, 2022 (December 31, 2021: 0.8%–4.2%).

12 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Included in current assets		
Trade receivables (i)	594,614	445,218
Other receivables		
— Deposits receivables	31,021	11,922
— Others	18,331	13,360
	49,352	25,282
Prepayments to suppliers	50,327	29,163
	694,293	499,663
Included in non-current assets		
Prepayments for property, plant and equipment	78,544	50,082
	772,837	549,745

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

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	364,116	323,128
91 to 180 days	119,394	67,296
181 to 365 days	76,139	38,880
1 to 2 years	32,667	13,955
2 to 3 years	895	1,409
3 to 4 years	854	550
4 to 5 years	549	—
	594,614	445,218

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

The Group's trade receivables were denominated in RMB.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of shares <i>USD</i>	Equivalent nominal value of shares <i>RMB'000</i>	Share premium <i>RMB'000</i>
Authorised:				
At January 1, 2022 and December 31, 2022	<u>5,000,000,000</u>	<u>50,000</u>	<u>—</u>	<u>—</u>
Issued and fully paid:				
At January 1, 2022	618,000,000	6,180	42	7,082,873
Repurchase of ordinary shares (i)	<u>(1,275,800)</u>	<u>(13)</u>	<u>—*</u>	<u>(35,828)</u>
At December 31, 2022	<u>616,724,200</u>	<u>6,167</u>	<u>42</u>	<u>7,047,045</u>
At December 31, 2020 and January 1, 2021	618,000,000	6,180	42	7,123,460
Dividends	—	—	—	(74,081)
Exercise of employee share scheme	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,494</u>
At December 31, 2021	<u>618,000,000</u>	<u>6,180</u>	<u>42</u>	<u>7,082,873</u>

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

(i) The Company repurchased a total of 1,275,800 ordinary shares on the HKSE with an aggregate amount of HKD44,048,000 (equivalent to approximately RMB35,828,000). The ordinary shares were repurchased in January 2022 and February 2022. During the year, the repurchased ordinary shares had been cancelled by the Company.

14 BORROWINGS

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	<u>1,283,263</u>	<u>1,230,851</u>
Non-current liabilities:		
— Long-term bank borrowings-secured (i)	1,157,630	1,186,851
— Long-term bank borrowings-unsecured	6,200	44,000
Less: current portion	<u>(60,970)</u>	<u>(34,373)</u>
	<u>1,102,860</u>	<u>1,196,478</u>
Current liabilities:		
— Short-term bank borrowings-unsecured	119,433	—
Current portion of non-current liabilities	<u>60,970</u>	<u>34,373</u>
	<u>180,403</u>	<u>34,373</u>
Total	<u>1,283,263</u>	<u>1,230,851</u>

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

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Pledged by property, plant and equipment	219,112	—
Secured by equity pledge of certain subsidiaries of the Group	<u>938,518</u>	<u>1,186,851</u>
	<u>1,157,630</u>	<u>1,186,851</u>

15 TRADE AND OTHER PAYABLES

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (i)	396,221	308,296
Salaries payable	187,116	187,592
Payables for construction projects	80,835	21,043
Other taxes payable	30,230	10,869
Prepayments received for radiotherapy equipment licensing	8,100	9,044
Payables of surcharge for tax overdue payments	7,578	8,247
Deposits payable	1,145	3,962
Payables of considerations for acquisition equity interest of subsidiaries	98	158,525
Others	29,524	24,883
	<u>740,847</u>	<u>732,461</u>

- (i) 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 dates:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	333,883	249,008
91 to 180 days	34,410	40,852
181 to 365 days	14,570	7,380
Over 1 year	13,358	11,056
	<u>396,221</u>	<u>308,296</u>

16 SHARE-BASED COMPENSATION EXPENSE

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

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

The Group uses the binomial option pricing model in determining the estimated fair value of the share options granted. The model requires the input of highly subjective assumptions. For the expected volatility, the trading history and observation period of the Group's own share price movement has not been long enough to match the life of the share option. Therefore, the Group has made reference to the historical price volatilities of ordinary shares of several comparable Hong Kong listed companies in the same industry as the Group. For the expected exercise multiple, the Group was not able to develop an exercise pattern as reference, thus the exercise multiple is based on management's estimation, which the Group believes is representative of the future exercise pattern of the options. The risk-free interest rate for periods within the contractual life of the option is based on the interest rate of 10-year Hong Kong government debt at the grant date.

The above transaction was considered as equity-settled share-based payment to employees and others in exchange for their services. The fair value of the Share Options granted to the Eligible Persons on the Grant Date, as determined by a professional valuation firm, was 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 aggregate RMB38,085,000 share-based compensation expenses in the consolidated statements of comprehensive income for the year ended December 31, 2022 for the aforesaid Share Options (December 31, 2021: RMB6,750,000).

17 DIVIDENDS

The board of directors recommended the payment of final dividend of RMB0.15 per share (in aggregate amounted to approximately RMB94.7 million) for the year ended December 31, 2022 which is subject to the approval by the shareholders at the annual general meeting of the Company. The final dividend is expected to be payable to the shareholders on or before July 27, 2023. The dividend will be payable to the shareholders whose names appear on the register of members of the Company at the close of business on July 7, 2023 (the year ended December 31, 2021: nil).

18 SUBSEQUENT EVENTS

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 (the “**Placing**”), representing approximately 2.34% of the issued share capital of the Company immediately following completion of the Placing. 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. Details of the transaction was disclosed in the announcements of the Group dated January 4 and January 11, 2023.

DEFINITIONS AND GLOSSARY

“AGM”	annual general meeting of the Company to be held on June 28, 2023
“associates”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“Changshu Hygeia Hospital”	Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
“Chengwu Hygeia Hospital”	Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd.* (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Chongqing Hygeia Hospital”	Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd.* (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company

“Company”	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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“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
“Global Offering”	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
“Group”	the Company together with its subsidiaries
“Hengrui Pharmaceuticals”	Jiangsu Hengrui Pharmaceuticals Co., Ltd.* (江蘇恆瑞醫藥股份有限公司)
“Heze Hygeia Hospital”	Heze Hygeia Hospital Co., Ltd.* (荷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 incorporated under the laws of the PRC on March 4, 2020 and a subsidiary of the Company
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Kaiyuan Jiehua Hospital”	Kaiyuan Jiehua Hospital Co., Ltd.* (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021 and a subsidiary of the Company

“Liaocheng Hygeia Hospital”	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
“Listing”	the listing of the Shares on the Main Board 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
“Longyan Boai Hospital”	Longyan Boai Hospital Co., Ltd.* (龍巖市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“oncology”	the branch of medicine that deals with cancer
“Prospectus”	the prospectus of the Company published on June 16, 2020
“public medical insurance programs”	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
“radiotherapy”	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells

“radiotherapy center services”	the services the Group provides to certain hospital partners in connection with their radiotherapy centers, which are primarily composed of (i) provision of radiotherapy center consulting services; (ii) licensing of the Group’s proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the Group’s proprietary SRT equipment
“Reporting Period”	from January 1, 2022 to December 31, 2022
“RMB”	the lawful currency of the PRC
“Shanxian Hygeia Hospital”	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd.* (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Shares
“SRT”	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under section 15 of the Companies Ordinance
“Suzhou Canglang Hospital”	Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
“Suzhou Yongding Hospital”	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit class II general hospital in Suzhou and a subsidiary of the Company

“Wuxi Hygeia Hospital”

Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company

“%”

per cent

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

Hong Kong, March 20, 2023

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

* *For identification purpose only*