HYGEIA

Hygeia Healthcare Holdings Co., Limited
海吉亚医疗控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6078)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 15.3% to RMB1,759.5 million for the six months ended June 30, 2023 from RMB1,526.2 million for the same period in 2022.

Net profit of the Group increased by 46.8% to RMB334.9 million for the six months ended June 30, 2023 from RMB228.2 million for the same period in 2022.

Basic earnings per share of the Group increased by 47.2% to RMB0.53 for the six months ended June 30, 2023 from RMB0.36 for the same period in 2022.

The Board has resolved not to recommend declaration of any dividend for the six months ended June 30, 2023.

NON-IFRS MEASURES

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

SUMMARY OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2023	2022
	(RMB'000)	*(RMB'000)*
	(Unaudited)	*(Unaudited)*
Revenue	**1,759,486**	1,526,232
Cost of revenue	**(1,188,657)**	(1,028,416)
Gross profit	**570,829**	497,816
Selling expenses	**(16,506)**	(9,090)
Administrative expenses	**(179,727)**	(139,353)
Other income	**31,004**	5,951
Other gains/(losses) — net	**14,049**	(40,693)
Operating profit	**419,649**	314,631
Finance income	**9,709**	8,158
Finance costs	**(17,001)**	(15,572)
Finance costs — net	**(7,292)**	(7,414)
Profit before income tax	**412,357**	307,217
Income tax expense	**(77,462)**	(79,053)
Net profit	**334,895**	228,164
Non-IFRS adjusted net profit[1]	**346,662**	300,776

Note:

(1) Adjustments to net profit for the six months ended June 30, 2023 include: (i) share-based compensation expenses of RMB19,714 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB4,379 thousand; and (iii) net foreign exchange gains of RMB(12,326) thousand. Adjustments to the net profit for the six months ended June 30, 2022 include: (i) share-based compensation expenses of RMB19,401 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB5,268 thousand; and (iii) net foreign exchange losses of RMB47,943 thousand.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

The Group continuously practiced its corporate vision of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)". The Group has always put patient satisfaction first through fulfilling the unmet needs of oncology patients by safeguarding the quality of its medical services, as well as raising its service standards. For the six months ended June 30, 2023, the reputation of the in-network hospitals of the Group among the patient pool and the brand influence have continued to enhance, the number of patient visits of the Group has continued to increase, and the overall revenue of the Group has continued to maintain strong growth.

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

	Unaudited Six months ended June 30,			
	2023		2022	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Hospital business				
– Outpatient services	**543,220**	**30.9**	513,344	33.6
– Inpatient services	**1,138,536**	**64.7**	932,223	61.1
Sub-total	**1,681,756**	**95.6**	1,445,567	94.7
Other business	**77,730**	**4.4**	80,665	5.3
Total	**1,759,486**	**100.0**	1,526,232	100.0

Hospital Business

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

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business. For the six months ended June 30, 2023, the Group's revenue from other business amounted to RMB77.7 million.

Oncology-related Business

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

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

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

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

Gross Profit

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

	Unaudited Six months ended June 30,	
	2023	2022
	(RMB'000)	*(RMB'000)*
Hospital business	**524,771**	450,706
Other business	**46,058**	47,110
Total	**570,829**	497,816

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

Business Development

Continuously strengthening the oncology-related academic standards and diagnostic and treatment capabilities of the Group's in-network hospitals

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

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

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

2. *Increasing early oncology screening*

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

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

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

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

Center will teach and train the medical staff of Liaocheng Hygeia Hospital to improve the medical technology level of the hospital. Longyan Boai Hospital and Xiang'an Hospital of Xiamen University signed a contract to build a medical consortium to comprehensively improve the scientific research level of Longyan Boai Hospital and promote the high-quality development of medical technology in the hospital through deepening cooperation and carrying out academic projects.

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

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

The Group is strengthening its efforts in the recruitment and training for oncology medical professionals. As of June 30, 2023, the Group had 5,917 medical professionals in total, representing an increase of 790 compared to December 31, 2022. Among the medical professionals, 773 were chief physicians or associate chief physicians, representing an increase of 84 from December 31, 2022. For the six months ended June 30, 2023, a total of 513 medical professionals were promoted to a higher professional grade.

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

The Group provides one-stop and comprehensive oncology diagnosis and treatment services for oncology patients. For oncology patients in rehabilitation, the Group continues to strengthen oncology health management and regular follow-up visits; for terminal oncology patients, the Group's in-network hospitals have launched services such as home care for oncology patients and unaccompanied wards for oncology patients. The considerate care from the medical staff of the Group enables oncology patients to feel warmth.

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

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

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

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

1. *Progress of work-in-progress hospitals*

   Dezhou Hygeia Hospital is designed to be a Class III hospital, and Phase I project has a total GFA of approximately 51,000 square meters and is designed to accommodate 600 to 800 beds. The hospital is currently undergoing internal decoration and is expected to be delivered by the end of 2023.

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

   The construction of Changshu Hygeia Hospital started in July 2023. The hospital is designed to be a Class III hospital, and is designed to accommodate 800 to 1,200 beds. It is expected to be delivered and commence operation in 2025.

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

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

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

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

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

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

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

3. New investment intention agreements for hospital construction

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

4. Progress of mergers and acquisitions

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

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

Build good public relations to facilitate economic and social development

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

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

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

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

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

The Group strictly complied with the 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 communicating activities for its staff; it also established the Hygeia Healthcare Teaching and Researching Institute to continuously enrich its training system and enhance the core competitiveness of its staff. The Company continued to improve and 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.

Business Prospects

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

According to the results of the seventh national population census, as of November 1, 2020, there were 264 million elderly people aged 60 and above in China, accounting for 18.7% of the total population. From 1962 to 1973, more than 300 million people were born in China, and these people will reach the age of 60 within the next decade. It can be predicted that the overall number of elderly people aged 60 and above in China will further increase in the next decade. In 2022, there are over 4.8 million new oncology patients in China, which increased significantly as compared to the previous years. The demand for oncology medical services in the Chinese market will gradually increase due to the continued growth of incidence of tumors and other age-related diseases brought by on the aging population. According to Frost & Sullivan's analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a compound annual growth rate of approximately 11.5% from 2021 to 2025. The Group believes that by leveraging high-level quality control, technology and diagnosis and treatment services, the Group is able to provide multi-level and one-stop diagnosis and treatment services to more oncology patients and satisfy their unmet needs. The medical care and health system reform in China has deepened throughout recent years. The government has put in place certain policies encouraging the setup of medical institutions by social capital to increase the supply of medical services, so as to alleviate conflicts over the significant and unevenly distributed gaps between supply and demand of medical services. In December 2022, the Central Committee of the Communist Party of China and the State Council issued the "Outline of the Strategic Plan for Expanding Domestic Demand (2022–2035)", which states that social forces should be supported to provide multi-level and diversified medical services, and increase the effective supply of specialized medical services and other sub-sectors. The Group believes that benefiting from the encouragement and support of various national and local government policies, the environment for private medical service will be constantly improved to facilitate the rapid development of private medical service. The Group will seize this opportunity to continuously expand its operation network to provide multi-level and diversified services to an increasing number of oncology patients. The "Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Development and Growth of the Private Economy (中共中央、國務院關於促進民營經濟發展壯大的意見)" issued in July 2023 points out that the environment for the development of the private economy should be continuously optimised. Meanwhile, it is necessary to increase the policy support and strengthen the rule of law guaranteeing the development of the private economy. Efforts should also be made to promote the high-quality development of the private economy, promote the healthy growth of members of the private economy, and continue to build up a social atmosphere of caring for promoting the development and growth of the private economy.

Looking forward, the Group expects to:

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

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

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

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

Continue the establishment of environment, social and governance (ESG) by reinforcing the regulatory measures on the environment, fulfilling social responsibilities, continuously improving and strengthening corporate governance and standardized governance of listed companies, and optimizing the governance structure to secure the interest of all stakeholders.

Financial Review

Revenue

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

The Group's revenue increased by 15.3% to RMB1,759.5 million for the six months ended June 30, 2023 from RMB1,526.2 million for the same period in 2022, with a year-on-year increase in revenue of 21.1% after excluding the one-off impact of the nucleic acid tests.

Hospital Business

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

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business. For the six months ended June 30, 2023, the Group's revenue from other business was RMB77.7 million, accounting for 4.4% of the Group's revenue.

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

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

Selling Expenses

During the Reporting Period, the Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. For the six months ended June 30, 2023, the Group's selling expenses were RMB16.5 million, accounting for 0.9% of the total revenue.

Administrative Expenses

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

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

Other Income

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

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

Other Gains/(Losses) — Net

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

Finance Income and Costs

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

During the Reporting Period, the Group's finance costs were mainly composed of the Group's interest expenses on bank borrowings. The Group's finance costs increased by 9.0% to RMB17.0 million for the six months ended June 30, 2023 from RMB15.6 million for the same period in 2022.

Income Tax Expense

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

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 46.8% to RMB334.9 million for the six months ended June 30, 2023 from RMB228.2 million for the same period in 2022, with a year-on-year increase in net profit of 67.5% after excluding the one-off impact of the nucleic acid tests. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including net foreign exchange (gains)/losses, share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals. The Group's non-IFRS adjusted net profit increased by 15.3% to RMB346.7 million for the six months ended June 30, 2023 from RMB300.8 million for the same period in 2022, wtih a year-on-year increase in non-IFRS adjusted net profit of 27.1% after excluding the one-off impact of the nucleic acid tests.

Non-IFRS Measures

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2022 and 2023 to the nearest measures prepared in accordance with IFRS:

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

Liquidity and Capital Resources

As of June 30, 2023, the Group had cash and cash equivalents of RMB1,374.6 million, as well as wealth management products of RMB125.8 million.

Cash Flow

Operating Activities

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

The Group's net cash generated from operating activities increased by 20.2% to RMB350.1 million for the six months ended June 30, 2023 from RMB291.2 million for the same period in 2022, primarily attributable to the increase in the Group's overall revenue.

Investing Activities

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

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

Financing Activities

During the Reporting Period, cash inflow from financing activities of the Group was mainly composed of proceeds from the placing of shares, and proceeds from bank borrowings. Cash outflow from the Group's financing activities was mainly composed of repayment of bank borrowings, payment of interests on bank borrowings and payment of lease liabilities.

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

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 111.8% to RMB554.9 million for the six months ended June 30, 2023 from RMB262.0 million for the same period in 2022.

Financial Position

Total Assets and Total Liabilities

As of June 30, 2023, the Group's total assets were mainly composed of cash and cash equivalents, financial assets at fair value through profit or loss, trade, other receivables and prepayments, property, plant and equipment, inventories and intangible assets. The Group's total assets increased by 23.7% to RMB8,960.9 million as of June 30, 2023 from RMB7,241.9 million as of December 31, 2022.

As of June 30, 2023, the Group's total liabilities were mainly composed of borrowings, trade and other payables, current income tax liabilities, deferred income tax liabilities, deferred revenue and contract liabilities. The Group's total liabilities increased by 33.2% to RMB3,065.8 million as of June 30, 2023 from RMB2,301.9 million as of December 31, 2022.

Inventories

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

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances of the receivables arising from the provision of healthcare services. The Group's trade receivables increased by 7.5% to RMB639.2 million as of June 30, 2023 from RMB594.6 million as of December 31, 2022, primarily due to the increase in the balance of trade receivables as a result of the expansion of the revenue scale of existing hospitals.

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

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

The Group's prepayments for non-current assets include prepayments for property, plant and equipment. Prepayments for property, plant and equipment represent prepaid construction fees to contractors which undertook the construction work of the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment increased by 38.5% to RMB108.7 million as of June 30, 2023 from RMB78.5 million as of December 31, 2022, primarily due to the increase in prepayments for property, plant and equipment as a result of new acquisition of hospitals and business development needs.

Intangible Assets

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

Trade and Other Payables

The Group's trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of radiotherapy center services. The Group's trade payables increased by 1.5% to RMB402.2 million as of June 30, 2023 from RMB396.2 million as of December 31, 2022.

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

Borrowings

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

Pledge of Assets

Except for equity pledge and pledge of property, plant and equipment mentioned in Note 15 to the interim financial information, the Group had no other pledged assets as of June 30, 2023.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities increased by 0.3% to RMB29.3 million as of June 30, 2023 from RMB29.2 million as of December 31, 2022.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of June 30, 2023 were primarily related to commitments for (i) the construction and renovation of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 12.1% to RMB654.0 million as of June 30, 2023 from RMB583.4 million as of December 31, 2022.

Contingent Liabilities

As of June 30, 2023, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, liabilities under acceptance or acceptance credits, or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

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

Gearing Ratio

Gearing ratio is calculated as net debt divided by total equity and multiplied by 100%. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. The gearing ratio of the Group as at June 30, 2023 was 6.9%, representing a decrease of 1.9% from the gearing ratio of 8.8% as of December 31, 2022.

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD and Hong Kong dollars. The monetary assets denominated in foreign currency as of June 30, 2023 amounted to RMB2.0 million, and there is no liability denominated in foreign currency. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2023 would have been RMB0.1 million lower/higher.

Interest Rate Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

DIVIDENDS

The Board has resolved not to recommend payment of dividend for the six months ended June 30, 2023.

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILIZATION

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

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$2,391.9 million and the unutilized net proceeds were kept at the bank accounts of the Group as at June 30, 2023.

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

Details on the applications of the net proceeds from the Listing (adjusted on a pro rata bases based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcement dated May 26, 2021. The following table sets out the revised applications of the net proceeds, actual usage up to June 30, 2023 as well as the expected timeline for utilization:

	Planned applications *HK$ in million*	**Revised applications** *HK$ in million*	**Amount utilized** *HK$ in million*	**Remaining amount** *HK$ in million*	**Expected timeline for utilization**[1]
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	1,435.1	985.1	985.1	—	N/A
Acquiring hospitals, when appropriate opportunities arise, in new markets which have sizable population and relatively high level of demand for oncology healthcare services	717.6	1,167.6	1,167.6	—	N/A
Upgrading information technology systems	119.6	119.6	36.2	83.4	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	—	N/A
Total	**2,391.9**	**2,391.9**	**2,308.5**	**83.4**	

Note:

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

PROCEEDS FROM THE PLACING AND ITS UTILIZATION

On January 4, 2023, the Company entered into a placing agreement with J.P. Morgan Securities (Asia Pacific) Limited (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 14,800,000 shares (or, failing which, to subscribe itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Placing**"). The Placing price was HK$53.50 per share.

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

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

Note:

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

SHARE OPTION SCHEME

In order to improve the governance structure of the Company and to effectively attract, motivate and retain talents, the Company has adopted a share option scheme on October 15, 2021 (the "**Share Option Scheme**"). The participants of the Share Option Scheme include any director or employee of the Group and any medical expert who in the sole discretion of the Board has contributed or will contribute to the Group.

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares ("**Share Options**" or "**Option(s)**"), which represents 3% of the total number of issued Shares of the Company as 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 Reporting Period, no Share Options were exercised. As of the date of this announcement, 7,222,400 Share Options are available for issue under the Share Option Scheme upon exercise of all Share Options which had been granted and yet to be exercised under the Share Option Scheme, representing approximately 1.14% of the total number of issued Shares of the Company.

An offer shall be deemed to have been granted and the Option to which the offer relates shall be deemed to have been accepted when the Company receives the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance of the Option price, being HK$1.00 payable for each acceptance of grant of an Option, to the Company. The exercise price of the Share Options shall be a price determined by the Board and the basis of which shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (c) the nominal value of a Share.

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

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the date of grant and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Details of the movements of the Options granted and outstanding during the Reporting Period, the exercise price, the vesting date and the impact of Options granted under the Share Option Scheme on the financial statements are set out in the announcement of the Company dated August 24, 2021 and circular of the Company dated September 23, 2021 and under Note 18 to the interim financial information.

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

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

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

Category and name of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of grant	Closing price (weighted average) of Shares immediately before the date of exercise/ vest	Fair value at the date of grant *(Note 5)*	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested as at June 30, 2023	Exercised during the Reporting Period	Exercise Period	Cancelled/ lapsed/ forfeited during the Reporting Period *(Note 4)*	Exercise price of cancelled/ lapsed/ forfeited during the Reporting Period	Outstanding as at June 30, 2023	Vesting date *(Note 3)*	Performance targets
Other related entity participants							N/A								
Other service providers							N/A								
Total						7,338,000	–	1,452,800	–	–	83,600	–	5,801,600		

Notes:

Note 1

As of June 30, 2023, the vesting dates of the Share Options granted to the Directors are as follows:

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

Note 2

As of June 30, 2023, the vesting dates of the Share Options granted to the employees are as follows:

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

Note 3

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

Note 4

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

Note 5

The fair value of Share Options at the date of grant has been prepared in accordance with all applicable IFRS and the disclosure requirements of Hong Kong Companies Ordinance Cap.622. For details of the basis of calculation, please refer to Note 18 to the interim financial information.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all the applicable code provisions of the CG Code throughout the six months ended June 30, 2023 (except as disclosed below).

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she had complied with the required standard as set out in the Model Code during the six months ended June 30, 2023.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters in relation to the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023 and considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SUBSEQUENT EVENT

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

Save as disclosed above and in Note 20 to the interim financial information, there was no significant event that might affect the Group after the Reporting Period.

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

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hygeia-group.com.cn), and the 2023 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended June 30, 2023 together with the comparative figures for the same period in 2022:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended June 30,	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*4*	**1,759,486**	1,526,232
Cost of revenue	*4, 7*	**(1,188,657)**	(1,028,416)
Gross profit		**570,829**	497,816
Selling expenses	*7*	**(16,506)**	(9,090)
Administrative expenses	*7*	**(179,727)**	(139,353)
Other income	*5*	**31,004**	5,951
Other gains/(losses)-net	*6*	**14,049**	(40,693)
Operating profit		**419,649**	314,631
Finance income	*8*	**9,709**	8,158
Finance costs	*8*	**(17,001)**	(15,572)
Finance costs-net		**(7,292)**	(7,414)
Profit before income tax		**412,357**	307,217
Income tax expense	*9*	**(77,462)**	(79,053)
Profit and total comprehensive income for the period		**334,895**	228,164
Profit and total comprehensive income attributable to			
— Owners of the Company		**334,136**	224,209
— Non-controlling interests		**759**	3,955
Earnings per share			
— Basic earnings per share *(in RMB)*	*10*	**0.53**	0.36
— Diluted earnings per share *(in RMB)*	*10*	**0.53**	0.36

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited**	Audited
		As at June 30, 2023	As at December 31, 2022
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,835,800**	2,998,903
Intangible assets		**2,568,460**	2,383,850
Prepayments for non-current assets	*13*	**108,694**	78,544
Deferred income tax assets		**29,521**	31,174
Total non-current assets		**6,542,475**	5,492,471
Current assets			
Inventories		**155,957**	153,859
Trade, other receivables and prepayments	*13*	**744,116**	694,293
Amounts due from related parties		**17,953**	16,608
Financial assets at fair value through profit or loss	*12*	**125,800**	30,946
Cash and cash equivalents	*11*	**1,374,572**	853,768
Total current assets		**2,418,398**	1,749,474
Total assets		**8,960,873**	7,241,945
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	*14*	**7,634,098**	7,047,087
Other reserves		**(2,832,189)**	(2,851,903)
Retained earnings		**1,072,709**	738,573
		5,874,618	4,933,757
Non-controlling interests		**20,417**	6,306
Total equity		**5,895,035**	4,940,063

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

	Notes	**Unaudited** **As at June 30, 2023** *RMB'000*	Audited As at December 31, 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**1,424,061**	1,102,860
Deferred income tax liabilities		**141,130**	126,982
Deferred revenue		**35,539**	34,573
Lease liabilities		**2,923**	3,128
Other non-current liabilities		**8,268**	8,308
Total non-current liabilities		**1,611,921**	1,275,851
Current liabilities			
Trade and other payables	*17*	**1,001,134**	740,847
Contract liabilities		**29,320**	29,204
Current income tax liabilities		**69,375**	72,850
Lease liabilities		**1,134**	2,727
Borrowings	*15*	**352,954**	180,403
Total current liabilities		**1,453,917**	1,026,031
Total liabilities		**3,065,838**	2,301,882
Total equity and liabilities		**8,960,873**	7,241,945

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

(ii) Other Business including:

(a) Provision of radiotherapy business to certain third-party hospitals in connection with their radiotherapy centers, including: provision of radiotherapy center consulting services, licensing of radiotherapy equipment for use in the radiotherapy centers, and provision of maintenance and technical support services in relation to radiotherapy equipment;

(b) Provision of management services to private not-for-profit hospitals; and

(c) Sales of pharmaceutical, medical consumables and medical equipment to third parties.

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

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

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

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim financial information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and any public announcements made by the Company during the six months ended June 30, 2023.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2022, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

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

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

		Effective for annual periods beginning on or after
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

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

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

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

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

(b) New amendments not yet been adopted

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

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

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

4 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

— Hospital Business; and

— Other Business.

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

The following items are not allocated to individual operating segments:

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

b. Assets and liabilities of the entities which perform the management functions as the headquarter, deferred income tax assets and deferred income tax liabilities.

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

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

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

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

(b) Revenue by business lines and nature

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

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
— Inpatient services	**79,320**	61,043
— Other Business	**37,231**	42,420
Over time	**116,551**	103,463
— Inpatient services	**1,059,216**	871,180
— Outpatient services	**543,220**	513,344
— Other Business	**20,893**	11,445
At a point in time	**1,623,329**	1,395,969
Revenue from contracts with customers	**1,739,880**	1,499,432

(c) Geographical information

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

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the six months ended June 30, 2023 and 2022.

5 OTHER INCOME

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

6 OTHER GAINS/(LOSSES) — NET

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

7 EXPENSES BY NATURE

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

8 FINANCE COSTS — NET

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

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the six months ended June 30, 2023, in this case 4.71% (the six months ended June 30, 2022: 3.55%).

9 INCOME TAX EXPENSE

(a) Income tax expense

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

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

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

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("**Gamma Star Tech**"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% for the six months ended June 30, 2023 and 2022. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech is expected to qualify as a "High and New Technology Enterprise" after the expire date and thus is expected to further be subjected to a 15% preferential tax rate.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at June 30, 2023, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB1,416,468,000 (as at December 31, 2022: RMB1,088,980,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

(b) Numerical reconciliation of income tax expense

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In November 2021, the Company had share options granted to employees. For the six months ended June 30, 2023 and 2022, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares. During the six months ended June 30, 2023 and 2022, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the six months ended June 30, 2023 and 2022 are the same as basic earnings per share.

11 CASH AND CASH EQUIVALENTS

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

Cash and deposits were denominated in the following currencies:

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

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

13 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

The Group's trade receivables were denominated in RMB.

14 SHARE CAPITAL AND SHARE PREMIUM

	Unaudited			
	Number of shares	**Nominal value of shares**	**Equivalent nominal value of shares**	**Share premium**
		USD	*RMB'000*	*RMB'000*
Authorised:				
At January 1, 2022, June 30, 2022, January 1, 2023 and June 30, 2023	**5,000,000,000**	**50,000**	**—**	**—**
Issued and fully paid:				
At January 1, 2023	**616,724,200**	**6,167**	**42**	**7,047,045**
Issue of shares upon placing *(a)*	**14,800,000**	**148**	**1**	**681,739**
Dividend payable *(b)*	**—**	**—**	**—**	**(94,729)**
At June 30, 2023	**631,524,200**	**6,315**	**43**	**7,634,055**
Authorised:				
Issued and fully paid:				
At January 1, 2022	618,000,000	6,180	42	7,082,873
Repurchased ordinary shares	(1,275,800)	(13)	—*	(35,828)
At June 30, 2022	616,724,200	6,167	42	7,047,045

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

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

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

15 BORROWINGS

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

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

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

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

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

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

16 BUSINESS COMBINATIONS

(a) Yixing Hygeia Hospital Co., Ltd.

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

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

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

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

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

(i) Acquisition related cost

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

(ii) Revenue and profit contribution

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

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

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

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

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

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

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

(i) Acquisition related cost

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

(ii) Revenue and profit contribution

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

17 TRADE AND OTHER PAYABLES

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

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

	As at June 30, 2023	As at December 31, 2022
	RMB'000 (Unaudited)	*RMB'000 (Audited)*
0 to 90 days	**331,498**	333,883
91 to 180 days	**32,010**	34,410
181 to 365 days	**20,841**	14,570
Over 1 year	**17,820**	13,358
	402,169	396,221

18 SHARE-BASED COMPENSATION EXPENSE

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the Grant Date and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Performance targets are set out for each batch of granted Share Options and determined annually by the Board. Details of the Share Options were disclosed in the Company announcement dated November 12, 2021. As at June 30, 2023, 1,452,800 share options of the Company were vested and 604,600 share options were forfeited due to dimission of the eligible person.

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

The above transaction was considered as equity-settled share-based payment to employees and others in exchange for their services. The fair value of the Share Options granted to the Eligible Persons on the Grant Date, as determined by a professional valuation firm, was HKD168,100,000. The significant inputs into the binomial valuation model were listed as below:

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

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

19 DIVIDENDS

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

20 SUBSEQUENT EVENT

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

GLOSSARY AND DEFINITIONS

"Audit Committee"	the audit committee of the Board
"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd.* (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd.* (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of the Company
"Board"	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
"Chang'an Hospital"	Chang'an Hospital Co., Ltd.* (長安醫院有限公司), a limited liability company incorporated under the laws of the PRC on December 31, 2002
"Changshu Hygeia Hospital"	Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd.* (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this 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 Hospital Co., Ltd.* (重慶海吉亞醫院有限公司) (formerly known as Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) and Chongqing Hygeia Hospital Management Co., Ltd.* (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company

"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
"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
"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd.* (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a subsidiary of the Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
"Group"	the Company together with its subsidiaries
"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd.* (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of the Company
"Hezhou Guangji Hospital"	Hezhou Guangji Hospital Co., Ltd.* (賀州廣濟醫院有限公司), a limited liability company established under the laws of the PRC on March 4, 2020 and a subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"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.* (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions 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, 2023 to June 30, 2023
"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 (Chapter 622 of the Laws of Hong Kong)
"Subang Pharmacy"	Wuxi Subang Medical Technology Co., Ltd.* (無錫市蘇邦醫療科技有限公司), a limited liability company incorporated under the laws of the PRC on April 1, 2020
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
"Suzhou Yongding Hospital"	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit Class II general hospital in Suzhou and a subsidiary of the Company
"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

"Yixing Hygeia Hospital"	Yixing Hygeia Hospital Co., Ltd.* (宜興海吉亞醫院有限公司), a limited liability company incorporated under the laws of the PRC on April 6, 2023
"%"	per cent

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

Hong Kong, August 29, 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*