海吉亚医疗控股有限公司
Hygeia Healthcare Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6078

Annual Report 2023

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS IN THE PRC

Suites 702-707
Enterprise Square
No. 228 Meiyuan Road
Jing'an District, Shanghai
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th floor, Harbour Place
103 South Church Street
P.O. Box 10204
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd
Shanghai Huaizhong Sub-branch
1/F, 18/F, Boyin International Building
No. 398 Middle Huaihai Road
Huangpu District, Shanghai
the PRC

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

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

AUDITOR

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

HONG KONG LEGAL ADVISER

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

STOCK CODE

6078

COMPANY WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Year ended December 31,				
	2023	2022	2021	2020	2019
		(RMB'000, except percentages)			
Operating results					
Revenue	**4,076,680**	3,195,648	2,315,349	1,401,764	1,085,826
Gross profit	**1,286,252**	1,028,553	757,499	480,043	330,120
Operating profit	**889,104**	666,821	593,775	300,284	174,207
Profit before income tax	**856,087**	643,311	572,845	252,612	79,320
Net profit	**684,948**	481,876	453,203	177,061	39,767
Basic earnings per share (in RMB)	**1.08**	0.77	0.71	0.38	0.14
Non-IFRS adjusted net profit (1)	**713,445**	607,013	450,606	316,082	171,542
Profitability					
Gross profit margin	**31.6%**	32.2%	32.7%	34.2%	30.4%
Net profit margin	**16.8%**	15.1%	19.6%	12.6%	3.7%
Non-IFRS adjusted net profit margin (2)	**17.5%**	19.0%	19.5%	22.5%	15.8%

Notes:

(1) Adjustments to the net profit for the year ended December 31, 2023 include: (i) share-based compensation expenses of RMB29,250 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB10,413 thousand; and (iii) net foreign exchange gains of RMB(11,166) thousand. Adjustments to the net profit for the year ended December 31, 2022 include: (i) share-based compensation expenses of RMB38,085 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB9,780 thousand; and (iii) net foreign exchange losses of RMB77,272 thousand.

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

	Audited As of December 31,				
	2023	2022	2021	2020	2019
		(RMB'000)			
Financial position					
Total current assets	**1,975,590**	1,749,474	1,720,772	2,922,341	668,530
Total non-current assets	**8,758,973**	5,492,471	4,966,166	1,778,964	1,544,659
Total current liabilities	**1,944,147**	1,026,031	854,607	280,952	1,714,181
Total non-current liabilities	**2,535,542**	1,275,851	1,354,619	78,976	701,614
Total equity/(deficits)	**6,254,874**	4,940,063	4,477,712	4,341,377	(202,606)

Corporate Profile

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

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals through a combination of organic growth and strategic acquisitions. As of the date of this annual report, we managed or operated 16 oncology-focused hospitals covering 13 cities in 8 provinces in China. We believe our nationwide footprint has enabled us to benefit from network effects and synergies and achieve economies of scale, which has laid a solid foundation for our sustainable and profitable growth and future expansion into new geographic markets.

We are committed to providing one-stop comprehensive treatment services for oncology patients in non-first tier cities. There is a big gap in oncology healthcare services in China. There is a huge demand for oncology treatment in non-first-tier cities in China, but high-quality oncology treatment resources are mainly concentrated in first-tier cities. We believe that by leveraging strict quality control, high-standard diagnosis and treatment technology and considerate diagnosis and treatment services, we are able to provide services to more oncology patients.

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

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

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Hygeia Healthcare Holdings Co., Limited, I would like to present you with the annual report of the Group for the year ended December 31, 2023. We would like to thank all Shareholders who have accompanied and supported the Company along the way, and your trust is the driving force for our continuous progress.

The year 2023 has been a significant one for Hygeia, as we have continued to do the tough but right things. With the accelerated aging of the population and the rising incidence of oncology, we persisted in expanding the breadth and depth of the Group's healthcare service network and addressing the unmet demand of oncology patients in China. In 2023, the Group's revenue reached RMB4,077 million and our adjusted net profit reached RMB713 million. The in-network hospitals have expanded to 18 so far, of which 4 were Class III hospitals, indicating that Hygeia's hospitals are moving towards standardized, scaled, and branded development.

Looking back on our journey, despite the numerous complex and changing circumstances, we have maintained our initial goal of making healthcare services more accessible and affordable. With the support from all Shareholders and hard work of every single member of Hygeia, the Company's business has made great progress. In the past five years, the compound growth rate of revenue reached 39.2% and the compound growth rate of adjusted net profit reached 42.7%; while in the past 7 years, the compound growth rate of revenue reached 37.8% and the compound growth rate of adjusted net profit reached 56.2%.

Hygeia's long-term growth is derived from our persistent adherence to the principle of long-termism in corporate management.

Firstly, Hygeia has always adhered to the concept of patients first, providing patients with first-class medical technology, clean and pleasing environment, convenient medical process and comfortable medical experience. In recent years, the development achievements of disciplines in the Group's hospitals have been rapidly emerging, with more than 10 national, provincial and municipal clinical key specialties, and publishing more than 200 articles in national, provincial and municipal journals every year; we have provided "year-round (including public holidays) (全年無假日)" medical service, offered "1.5 hours outpatient experience (1.5小時就醫體驗)", set up "unaccompanied wards (無陪護病房)", and launched cross-regional "Credit + Medicine (信用+醫療)" digital application service of "diagnosis and treatment first, payment later (先診治，後付費)", to always put the interests of patients in the first place, and continuously improve the satisfaction of patients. To Cure Sometimes, To Relieve Often, To Comfort Always. We organize employees to carry out activities such as blood donation and hematopoietic stem cell donation every year to rekindle the light of life for patients; and hold birthday parties for cancer patients in the hospital to bring them courage and strength to live. Hygeia, the name of which is inspired by the Greek goddess of health, is dedicated to using our expertise and humanized service to help patients alleviate their pain and ensure they are treated with dignity. Healthcare is a sacred field to save lives, and we always insist on going beyond the pursuit of profits.

Secondly, Hygeia focuses on oncology and its related disciplines. As compared to normal specialty hospitals, general hospitals with a focus on oncology specialties are more complex and difficult to manage. We have worked diligently day-after-day and established a vertical and standardized discipline construction system to enhance the competitiveness of hospitals with better technology, superior service and higher efficiency. With the aging of the population, the demand for treatment in relation to age-related chronic diseases, such as malignant tumors, will continue to grow, and we must make continuous efforts to better serve our patients.

Thirdly, based on its sustainable operation model, Hygeia consolidates the foundation of "A Century of Hygeia (百年海吉亞)" step by step through maintaining its own properties, own talent team and own increasing volume. With its brand and reputation, Hygeia's hospitals have gradually expanded in the last decade, and a number of experts and talents who enjoyed special subsidies from the State Council, the chairman and deputy chairman of the national and military committees, and returned medical doctors have chosen to join Hygeia's hospitals full-time, realizing their self-value on in Hygeia, while the number of patient visits of the Group's hospitals has also continued to reach new highs. We determine to continue to move forward on this difficult but broad path, and in the future, we firmly believe that the road will become broader.

All moves of a skilled chess player are part of long-term thinking and strategic planning, with no single move being particularly outstanding. What Hygeia is trying to do is to persist on putting patients first, uphold its 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)" and establish its brand, to provide high-quality services to patients, bring reasonable return for Shareholders and create greater value for the society.

Over the past year, Hygeia has made significant strides as our scale, capacity and intrinsic value have been continuously enhanced. On the way forward, we look forward to continuing to witness Hygeia's growth and transformation with all Shareholders.

Zhu Yiwen
Chairman

March 26, 2024

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended December 31, 2023, the revenue of the Group was RMB4,076.7 million, representing an increase of 27.6% over the same period of last year and a year-on-year increase in revenue of 34.0% after excluding the one-off impact of the nucleic acid tests. The gross profit of the Group was RMB1,286.3 million, representing an increase of 25.1% over the same period of last year and a year-on-year increase in gross profit of 36.0% after excluding the one-off impact of the nucleic acid tests. The net profit of the Group was RMB684.9 million, representing an increase of 42.1% over the same period of last year and a year-on-year increase in net profit of 63.6% after excluding the one-off impact of the nucleic acid tests. The basic earnings per share of the Group was RMB1.08, representing an increase of 40.3% over the same period of last year and a year-on-year increase in basic earnings per share of 61.2% after excluding the one-off impact of the nucleic acid tests. The non-IFRS adjusted net profit of the Group was RMB713.4 million, representing an increase of 17.5% over the same period of last year and a year-on-year increase in adjusted net profit of 31.1% after excluding the one-off impact of the nucleic acid tests.

The Group adhered to its business strategy focusing on oncology healthcare and addressed the unmet demand of oncology patients in China through operating hospitals focusing on oncology. As of December 31, 2023, the Group managed or operated 15 oncology-focused hospitals covering 12 cities in 8 provinces in China.

The Group adhered to 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 benefits first, continuously improved the quality of its medical services and its service standards. The reputation of the in-network hospitals among the patient pool and the brand influence have been steadily enhanced, and the number of patient visits of the Group has continued to increase, with the overall revenue maintaining strong growth.

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

	Year ended December 31,			
	2023		2022	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Hospital business				
– Outpatient services	1,351,356	33.1	1,097,754	34.3
– Inpatient services	2,538,937	62.3	1,929,506	60.4
Sub-total	3,890,293	95.4	3,027,260	94.7
Other business	186,387	4.6	168,388	5.3
Total	4,076,680	100.0	3,195,648	100.0

Hospital Business

For the year ended December 31, 2023, the Group's revenue from its hospital business was RMB3,890.3 million, representing an increase of 28.5% over last year and a year-on-year increase in revenue from its hospital business of 35.4% after excluding the one-off impact of the nucleic acid tests. For the year ended December 31, 2023, the revenue from inpatient services was RMB2,538.9 million, representing an increase of 31.6% over last year, 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. For the year ended December 31, 2023, the revenue from outpatient services was RMB1,351.4 million, representing an increase of 23.1% over last year and a year-on-year increase in revenue from outpatient services of 43.2% after excluding the one-off impact of the nucleic acid tests.

Recently, the brand influence and reputation of the Group's in-network hospitals have been steadily enhanced, while the medical technology of the Group has also continued to advance. For the year ended December 31, 2023, the Group completed a total of 83,770 surgeries, representing an increase of 34.6% over last year, of which the proportion of level 3, 4 surgeries and interventional surgeries further increased.

Other Business

For the year ended December 31, 2023, the Group's revenue from other business amounted to RMB186.4 million.

Oncology-related Business

The Group continuously strengthens the development of its oncology discipline, and is committed to providing oncology patients with one-stop comprehensive treatment services.

Revenue from the Group's oncology-related business increased by 23.6% from RMB1,438.4 million for the year ended December 31, 2022 to RMB1,778.4 million for the year ended December 31, 2023.

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

	Year ended December 31,			
	2023		2022	
	(RMB'000)	*% of revenue*	*(RMB'000)*	*% of revenue*
Oncology business	**1,778,431**	**43.6**	1,438,432	45.0
Non-oncology business	**2,298,249**	**56.4**	1,757,216	55.0
Total	**4,076,680**	**100.0**	3,195,648	100.0

Gross Profit

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

	Year ended December 31,	
	2023 **(RMB'000)**	2022 *(RMB'000)*
Hospital business	**1,179,159**	929,705
Other business	**107,093**	98,848
Total	**1,286,252**	1,028,533

The gross profit of hospital business, the core business of the Group, was RMB1,179.2 million for the year ended December 31, 2023, representing an increase of 26.8% over last year. Excluding the one-off impact of nucleic acid tests, the gross profit of hospital business increased by 39.3% 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, provided one-stop comprehensive diagnosis and treatment services around oncology, enhanced the clinical research capabilities in oncology, deployed state-of-the-art oncology diagnosis and treatment equipments, implemented a plan to introduce high-level oncology specialists, and carried out sub-specialization in oncology, so as to continuously enhance the effectiveness of the prevention and treatment of oncology.

   The construction of specialties is the key to the sustainable development of hospitals, and is also an important symbol of the comprehensive strength and academic status of hospitals. In recent years, the Group has attached great importance to the construction of oncology specialties and fully utilized its resources and technical advantages. A number of influential, powerful and technical clinical key specialties with oncology characteristics have been emerging, which have helped the oncology diagnosis and treatment capability of the Group's in-network hospitals to continue to reach new levels. During the Reporting Period, the departments of oncology and critical care medicine of Chang'an Hospital were selected as the municipal clinical key specialty construction projects in Xi'an City, the department of hematology of Suzhou Yongding Hospital was evaluated as the municipal clinical key specialty construction unit in 2023 in Suzhou City, the department of ultrasound medicine of Suzhou Yongding Hospital passed the re-examination of the key specialties in Wujiang District in 2023 and continued to be recognized as a key specialty at the district level, the departments of general surgery and critical care medicine of Chongqing Hygeia Hospital were approved as the clinical key specialties in Chongqing High-tech District, the department of orthopedics of Shanxian Hygeia Hospital was evaluated as a municipal key specialty in Heze City, the department of orthopedics of Hezhou Guangji Hospital was approved as clinical key specialty construction project in Hezhou City, and the department of oncology of Longyan Boai Hospital was confirmed as a county-level clinical key specialty in Longyan City.

In the face of the year-on-year increase in the number of new cases of malignant tumors in the PRC, the Group has continued to improve its integrated tumor diagnosis and treatment technologies to provide strong protection for the health of tumor patients. During the Reporting Period, the radiotherapy departments of Hezhou Guangji Hospital and Suzhou Yongding Hospital successively commenced operation, marking that the two hospitals have formally entered the era of precision radiotherapy; Chongqing Hygeia Hospital opened the gastrointestinal oncology surgery department and the hepatobiliary and pancreatic oncology surgery department, making breakthroughs in oncology medical technology; Suzhou Yongding Hospital opened the interventional oncology department, bringing good news for the local tumor patients with its advantages of minimally invasiveness, precision and certainty of therapeutic efficacy; and Hezhou Guangji Hospital opened the hematology and oncology department, pushing forward the development of its oncology department in the direction of specialization.

2. *Increasing early oncology screening*

Early oncology screening is essential in preventing and treating cancers, and the 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 the early stage of 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.

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 during the Reporting Period, 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 disadvantaged orphans and children. Liaocheng Hygeia Hospital also donated a "breast and cervical cancers" screening and physical examination program to Liaocheng Economic and Technological Development Zone, aiming to further improve the "breast and cervical cancers" screening service. The GE Revolution 256-row and 512-layer ultra-high-end CT of Chongqing Hygeia Hospital was officially put into service, marking the hospital's new venture in the field of "early diagnosis, discovery 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*

The Group continues to strengthen inter-hospital as well as university-enterprise oncology academic exchanges and cooperation, and further improve the platform for technological innovation in medicine, education and research, so as to comprehensively improve 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 put into operation, laying the foundation for Suzhou Yongding Hospital's long-term development in medical education and research. Suzhou Yongding Hospital has also initiated cooperation with the School of Rehabilitation of the Shanghai University of Traditional Chinese Medicine, promoting more innovative achievements in the field of cancer rehabilitation medicine. Chongqing Hygeia Hospital successfully held the "First Symposium on Radiotherapy for Tumors of the National Social Medical Oncology Department Development Cooperation Union", and hosted the inaugural meeting of the Oncology Committee of Chongqing Social Medical Institutions Association, of which it was the chief member. Chang'an Hospital has established the Chang'an Oncology Hospital Platform, which operates as "a hospital within a hospital" in Chang'an Hospital, providing more professional, efficient, high-quality and convenient diagnostic and treatment services for oncology patients in Xi'an and the surrounding areas. In addition, Chang'an Hospital has also successfully held the Oncology Radiology Integration Forum, which has enabled it to conduct extensive and in-depth discussions with numerous colleagues and consortium units on the cutting-edge technology and direction of oncology radiology treatment. Liaocheng Hygeia Hospital and Shandong Public Health Clinical Center, and Longyan Boai Hospital and Xiang'an Hospital of Xiamen University signed contracts to build a medical consortium to promote the high quality development of the oncology department of the hospital through various forms of technical training and expert rounds.

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 248 articles in oncology specialties/other oncology-related disciplines in domestic and international periodicals.

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

During the Reporting Period, the Group continued to improve its talent mechanism and platform construction, by intensifying its efforts in talent cultivation and attraction, and building up human resources competitiveness by combining talent introduction and independent training, with an all-round incentive and protection system as its core, allowing the Group's talent team to continue to expand and to upgrade its talent structure.

As of December 31, 2023, the Group had 7,483 medical professionals in total, representing an increase of 2,356 compared to December 31, 2022. Among the medical professionals, 1,188 were senior professional technicians, representing an increase of 380 from December 31, 2022. For the year ended December 31, 2023, a total of 761 medical professionals were promoted to a higher professional grade.

5. *Broadening medical channels to facilitate patients in seeking treatment*

During the Reporting Period, the Group continued to innovate its healthcare service model. Relying on the Group's medical resources, the Group vigorously launched inter-hospital specialist rounds to enhance the diagnosis and treatment capabilities of each in-network hospital of the Group for complex diseases, and provided comprehensive and high-quality medical and healthcare management services for cancer patients by exploring the modes of oncology ambulatory diagnosis and treatment, specialty centers, multidisciplinary diagnosis and treatment (MDT) of oncology, membership system and other modes of treatment.

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 arrange regular follow-up visits; for terminal oncology patients, the Group launches services such as home care for oncology patients and unaccompanied wards for oncology patients. The considerate care from the Group's medical staff warms and touches the heart of oncology patients.

All in-network hospitals of the Group provide year-round outpatient service (including public holidays). In addition, they have successively operated morning-time, midday-time and night-time outpatient service, to provide the public with more convenient medical services in a staggered mode of diagnosis and treatment. The case of "90-minute outpatient experience" of Suzhou Yongding Hospital was selected as a typical case in the construction of healthy Suzhou, and the convenient medical process has brought about excellent experiences to patients.

During the Reporting Period, the Group actively strengthened the commercial insurance coverage of its in-network hospitals and has currently cooperated with more than ten commercial insurance companies. Suzhou Yongding Hospital and Chongqing Hygeia Hospital signed respective contracts with PICC and 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*

   The Group currently has three new hospital projects, namely Dezhou Hygeia Hospital, Wuxi Hygeia Hospital and Changshu Hygeia Hospital.

   Dezhou Hygeia Hospital is designed to accommodate 1,000 beds, and becomes the fourth Class III hospital of the Group after passing acceptance inspection as a Class III general hospital in March 2024.

   Wuxi Hygeia Hospital is designed as a Class III hospital and to accommodate 800 to 1,000 beds, and construction commenced in November 2022. Currently, the main structures of the four main buildings and two equipment buildings have been fully topped out, and is expected to finish construction and commence operations at the beginning of 2025.

   Changshu Hygeia Hospital is designed as a Class III hospital and to accommodate 800 to 1,200 beds, and construction commenced in July 2023. Currently, the piling works and foundation pit support works have been completed, and is expected to finish construction and commence operations at the end of 2025.

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

   Chongqing Hygeia Hospital Phase II project, with a total GFA of approximately 78,000 square meters and an additional 1,000 beds, commenced operations in February 2023. The total number of available beds at Chongqing Hygeia Hospital has currently increased to 1,500. The hospital was upgraded to a Class III general hospital in March 2023. Moving forward, Chongqing Hygeia Hospital aims to establish itself as a Class III Grade A general hospital with a focus on oncology specialties, providing a higher level of medical services to the residents of Chongqing and the surrounding provinces.

   Shanxian Hygeia Hospital Phase II project, with a total GFA of approximately 55,000 square meters and an additional 500 beds, commenced operations in July 2023. The total number of available beds at Shanxian Hygeia Hospital has currently increased to 1,500.

   Chengwu Hygeia Hospital Phase II project, with a total GFA of approximately 24,000 square meters and an additional 350 beds, commenced operations in January 2024. The total number of available beds at Chengwu Hygeia Hospital has currently increased to 500.

   Kaiyuan Jiehua Hospital Phase II project has obtained the construction project planning permit, and is currently in the process of applying for the construction project construction permit. The planned construction area of Phase II is approximately 15,000 square meters, and is designed to add approximately 500 beds.

Hezhou Guangji Hospital Phase II project has obtained the construction project planning permit. The Phase II project has a total GFA of approximately 38,000 square meters, and is expected to add approximately 500 beds to the hospital when it commences operations. Currently, Phase II oncology radiation therapy room, hyperbaric oxygen chamber room and the exterior walls of corridor have been substantially completed.

Chang'an Hospital Phase III project and Suzhou Yongding Hospital Phase II project have initiated preparation works and are currently in the process of applying for regulatory approval. Chang'an Hospital Phase III project plans to add approximately 1,000 beds, while Suzhou Yongding Hospital Phase II project plans to add about 500 beds.

3. *Progress of mergers and acquisitions*

On May 9, 2023, the Group announced the acquisition of 89.2% equity interest in Yixing Hygeia Hospital. Yixing Hygeia Hospital is located in Yixing City, Jiangsu Province in the Yangtze River Delta region. Yixing City is situated centrally to Shanghai, Nanjing and Hangzhou. In 2022, Yixing City's Gross Domestic Product ("**GDP**") has exceeded RMB220 billion, ranking the 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), 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 HK, 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, which has great influence in the local area. From 2020 to 2022, 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.

On November 30, 2023, the Group announced the acquisition of 100% equity interest in Qufu Chengdong Hospital. Qufu, Shandong Province is the birthplace of Confucian culture, and the number of migrants has been increasing in recent years. Following the completion of acquisition, the operational efficiency and diagnostic and treatment capabilities of Qufu Chengdong Hospital are expected to be further improved by implementing the Group's existing standardized and replicable hospital management model. The Group plans to relocate Qufu Chengdong Hospital to the Group's owned property with a larger GFA so as to allow for sufficient space to accommodate more hospital beds and large equipment, such as radiotherapy equipment, thereby unleashing more potential for business developments of Qufu Chengdong Hospital and promoting the strategic layout of the Group.

After joining the Group, the above three hospitals, especially Yixing Hygeia Hospital and Chang'an Hospital, firmly adhered to the 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)", and leveraged on the advantages of the Group's extensive experience and resources in hospital management, oncology-related discipline development and supply chain support. Through measures such as remuneration and performance system reform, revenue structure optimization and investment of medical resources, their oncology specialties and diagnosis and treatment capabilities have been continuously strengthened, and the operational efficiency has been gradually improved, thereby resulting in a continuous improvement of the sense of achievement among the employees, as well as the satisfaction of the patients. Yixing Hygeia Hospital achieved a year-on-year increase in revenue of approximately 30.8% since the acquisition by the Group (i.e., June 2023 to December 2023) as compared to the same period of previous year; while Chang'an Hospital achieved a year-on-year increase in revenue of approximately 28.9% since the acquisition by the Group (i.e., September 2023 to December 2023) as compared to the same period of previous year.

The Group will seize the historic consolidation opportunities in oncology healthcare industry, stick to the pace of merger and acquisition, and continue to expand the Group's oncology healthcare service network in width and depth.

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

The Group 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 benefits at the forefront of its mission, enhanced its information technology and humanised services, constantly strengthened its diagnostic and treatment capabilities, and continuously improved the medical experience, ensuring a carefree experience for patients throughout the whole process. The Group's hospitals actively organized public welfare activities such as blood donation, free medical consultations in local communities, hematopoietic stem cell donation and oncology screening, and continued to improve the work mechanism of military support and preferential treatment. During the Reporting Period, the brand image and social influence of Hygeia Hospital continued to grow. Longyan Boai Hospital has successfully promoted to a Class II Grade A general hospital; Hezhou Guangji Hospital was awarded the "Guangxi May Day Labour Award (廣西五一勞動獎狀)" and "Model Unit for Patriotic Support to the Military in the Autonomous Region (自治區愛國擁軍模範單位)"; 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; Suzhou Canglang Hospital was awarded the "Outstanding Unit of Elderly-Friendly Healthcare Institution (老年友善醫療機構優秀單位)" in Jiangsu

Management Discussion and Analysis

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)"; Heze Hygeia Hospital and Chengwu Hygeia Hospital were awarded the "2022 Double Top 100 Model Units of Heze City (二零二二年菏澤市雙百佳示範單位)", respectively; and Liaocheng Hygeia Hospital was awarded the honorary title of "The Most Beautiful Female Employees (最美巾幗奮鬥集體)".

The Group attached great importance to investor relations management, and have continuously improved its corporate governance and protected the legitimate rights and interests of Shareholders, especially the minority Shareholders. The management and staff of the Group worked together to enhance the inherent value of the Group and create good investment returns for investors. During the Reporting Period, Mr. Zhu Yiwen, the controlling Shareholder, Chairman of the Board and chief executive officer of the Group, has on several occasions increased his shareholding in the Group, demonstrating his unwavering confidence in the Group's business development. During the Reporting Period, 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 List (第六屆新財富最佳IR港股公司)" and the "2023 Sina Finance Golden Kylin Award — The Most Trusted Healthcare Service Institution (2023新浪財經金麒麟 — 最受用戶信賴的醫療服務機構)".

The Group established and continuously optimised a sound system of labour protection, remuneration and benefits to protect the legitimate rights and interests of its employees; it also established the Hygeia Healthcare Teaching and Researching Institute to continuously enrich its training system and enhance the core competitiveness of its staff, realising the mutual development of the Group and its staff.

In addition to strengthening the protection of patients', shareholders', employees' and other stakeholders' rights and interests in the social aspect, in terms of environment, the Group monitors resource usage in its in-network hospitals through a standardized and modular matrix management model, and continues to improve the operational model through a comprehensive data analysis system. With a commitment to environmental excellence, the Group has also set targets and actions for 2030 in respect of the intensity of greenhouse gas emissions, water use intensity and energy consumption intensity.

In terms of governance, the Group attaches great importance to establishing good public relations with all parties in the community, 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.

BUSINESS PROSPECTS

The long-term support of relevant national policies creates a favorable external environment for social capital to operate medical services

In recent years, the demand for medical services among our citizens has been continuously growing. However, public hospitals have limited healthcare resources, and high-quality medical resources are relatively concentrated. As the reform of China's pharmaceutical and healthcare system continues to deepen, the government has proposed several policy recommendations to encourage the introduction of social capital into the medical field, to increase the supply in the medical service sector, and to allocate medical resources rationally. This aims to address the issues of insufficient total medical resources and uneven distribution in the country: (1) In October 2016, the Central Committee of the Communist Party of China and the State Council issued the "'Healthy China 2030' Planning Outline (《「健康中國2030」規劃綱要》)", proposing to optimize the policy environment for social capital to operate medical services and encouraging the development of specialised hospital management groups; (2) In May 2017, the General Office of the State Council issued the "Opinions on Supporting Social Forces in Providing Multi-level and Diversified Medical Services (《關於支援社會力量提供多層次多樣化醫療服務的意見》)", which proposes to support social forces in providing multi-level and diversified medical services, and establishes the main tasks and policy measures for the development of medical service operations by social capital in the coming period; (3) In August 2018, the National Health Commission issued the "Notice on Further Strengthening Key Work in the Construction of the Hierarchical Diagnosis and Treatment System (《關於進一步做好分級診療制度建設有關重點工作的通知》)", which further clarifies the need to include private medical institutions in the planning and layout of medical institution syndicate; (4) In January 2019, the National Health Commission, the National Radio and Television Administration, and 16 other departments jointly released the "Action Plan for Making Greater Efforts to Address the Inadequacies, Strengthen Weak Links and Improve Quality in Public Services in the Social Sector, and to Promote the Formation of a Strong Domestic Market (《加大力度推動社會領域公共服務補短板強弱項提品質促進形成強大國內市場的行動方案》)", proposing to support social forces in delving into specialized medical and other niche service areas, and to accelerate the creation of a batch of competitive brand service institutions; (5) In June 2019, multiple departments issued the "Opinions on Promoting the Sustainable, Healthy, and Standardized Development of Private Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》)", which affirms the importance of private medical institutions and proposes to minimize approvals and clear regulations that hinder fair competition, address key and difficult issues, and further promote the sustainable, healthy, and standardized development of private medical institutions; (6) In August 2021, the Ministry of Human Resources and Social Security, the National Health Commission, and the National Administration of Traditional Chinese Medicine issued the "Guiding Opinions on Deepening the Reform of Professional Title System for Healthcare Professionals (《關於深化衛生專業技術人員職稱制度改革的指導意見》)", which outlines the reform work for the professional title system for healthcare professionals, and clearly states that healthcare professionals of private medical institutions shall enjoy the treatments no different from those of public medical institutions in terms of title declaration and evaluation, and are not subject to restrictions on household registration, personal files, different medical institutions, etc.; (7) In January 2022, the National Health Commission issued a notice regarding the "Guiding Principle of the State Program of the Establishment of Medical Institutions (2021–2025) (《醫療機構設置規劃指導原則(2021–2025年)》)", which clearly encourages the setup of medical institutions by social capitals to boost the development of private medical service with no planning restrictions on the total number and area for establishment of private medical institutions; (8) 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) (《擴大內需戰略規劃綱要(2022–2035年)》)", which clearly states: support social forces in providing multi-level and diversified medical services, encourage the development of general medical services, and increase the effective supply of specialized medical services and other sub-sectors; (9) In February 2023, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the "Opinions on Further Deepening Reform to Promote the Healthy Development of the Rural Medical and Health System (《關於進一步

深化改革促進鄉村醫療衛生體系健康發展的意見》)", which states: encourage social forces to establish clinics, outpatient departments, private hospitals, etc., to provide diversified medical services for the rural population; (10) In March 2023, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council released the "Opinions on Further Improving the Medical and Health Service System (《關於進一步完善醫療衛生服務體系的意見》)", which proposes to promote the expansion of high-quality medical resources and a balanced regional distribution, and build a Chinese-characteristic medical and health service system that is high-quality and efficient; while private medical institutions may take the lead in forming or participate in medical consortiums; (11) In July 2023, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Promoting the Development and Growth of the Private Economy (《關於促進民營經濟發展壯大的意見》)", which clearly points out: the private economy is a vital force in advancing Chinese-style modernization, an important foundation for high-quality development, and a significant power in driving China to fully build a strong modern socialist country in all respects and achieve the second centenary goal. The "Opinions" proposed a series of key measures to promote the development and growth of the private economy: firstly, the environment for the development of the private economy should be continuously optimized; secondly, the policy support for the private economy should be increased; thirdly, the rule of law guaranteeing the development of the private economy should be enhanced; fourthly, efforts should be made to promote the high-quality development of the private economy; fifthly, the healthy growth of members of the private economy should be promoted; sixthly, a social atmosphere of caring for and promoting the development and growth of the private economy should be built up continuously; (12) On July 28, 2023, the National Development and Reform Commission and other departments issued the "Notice on Implementing Several Measures to Promote the Development of the Private Economy in the Near Term (《關於實施促進民營經濟發展近期若干舉措的通知》)", which introduces 28 specific measures to address the prominent issues faced in the development of the private economy, stimulate the vitality of private economic development and boost confidence in the development of the private economy, thereby promoting the growth of the private economy; (13) On February 21, 2024, the Ministry of Justice, in conjunction with relevant departments, accelerated the legislative process of the Private Economy Promotion Law. This is to provide a solid legal foundation for promoting the healthy development of the private economy and to better foster a first-class business environment that is market-oriented, rule-of-law-based, and internationalized.

With the support of multiple national policies, the development environment for social capital in healthcare sector in China has been continuously optimized. As a result, private medical institutions have experienced rapid growth, with a swift increase in the number of hospitals, beds, health technical personnel, outpatient visits, hospital admissions, and revenue. The proportion of private medical institutions in the overall medical service market has been steadily increasing.

The expanding market demand for oncology medical services lays a solid foundation for rapid development of the industry

The "2023 Statistical Bulletin on the National Economic and Social Development of the People's Republic of China (《中華人民共和國2023年國民經濟和社會發展統計公報》)" shows that: by the end of 2023, the elderly population in China aged 60 and above reached 297 million, with the proportion of the elderly population in the total population rising to 21.1%; the population aged 65 and above reached 217 million, accounting for 15.4% of the total population. In the coming period, the degree of aging will continue to deepen, and it is expected that the elderly population will exceed 400 million by 2050. Therefore, it can be expected that tumors and other age-related diseases brought on by the aging population will continue to grow and the demand for relevant diagnosis and treatment services will gradually increase.

According to Frost & Sullivan's analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a compound annual growth rate of approximately 11.5% from 2021 to 2025. The Group believes that by enhancing construction of academic disciplines and improving diagnosis and treatment technology and services continuously, the Group is able to provide multi-level and one-stop diagnosis and treatment services to more oncology patients and satisfy their unmet needs.

Looking forward

The Group has had a good start to 2024 and achieved gratifying results with an increase in revenue of over 40% in the first two months of 2024 as compared to the same period previous year, based on the unaudited management accounts of the Group. Looking forward, the Group will continue to do the following:

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

Continue to expand our business scale to achieve economies of scale: by actively facilitating the 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 merging and acquiring high-quality hospital targets, 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 ability 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 27.6% to RMB4,076.7 million for the year ended December 31, 2023 from RMB3,195.6 million for the year ended December 31, 2022, with a year-on-year increase in revenue of 34.0% after excluding the one-off impact of the nucleic acid tests.

Hospital Business

The Group's revenue from hospital business, accounting for 95.4% of the Group's total revenue, increased by 28.5% to RMB3,890.3 million for the year ended December 31, 2023 from RMB3,027.3 million for the year ended December 31, 2022, with a year-on-year increase in revenue from hospital business of 35.4% after excluding the one-off impact of the nucleic acid tests. The increase in the revenue from hospital business was primarily attributable 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.

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business.

For the year ended December 31, 2023, the Group's revenue from other business amounted to RMB186.4 million, accounting for 4.6% of the Group's total 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 28.8% to RMB2,790.4 million for the year ended December 31, 2023 from RMB2,167.1 million for the year ended December 31, 2022, which was mainly due to the increase in cost of revenue 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 25.1% to RMB1,286.3 million for the year ended December 31, 2023 from RMB1,028.6 million for the year ended December 31, 2022, with a year-on-year increase in gross profit of 36.0% after excluding the one-off impact of the nucleic acid tests.

For the year ended December 31, 2023, the Group's gross profit margin was 31.6%. The Group's gross profit margin increased by 0.5% 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 year ended December 31, 2023, the Group's selling expenses were RMB50.6 million, accounting for 1.2% 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, entertainment, vehicle and office expenses, utilities, cleaning and afforestation expenses, repair and maintenance expenses and taxation expenses.

The Group's administrative expenses increased by 38.8% to RMB412.2 million for the year ended December 31, 2023 from RMB296.9 million for the year ended December 31, 2022, primarily due to the increase in administrative expenses as a result of new acquisition of 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 138.0% to RMB50.7 million for the year ended December 31, 2023 from RMB21.3 million for the year ended December 31, 2022.

Other Gains/(Losses) — Net

During the Reporting Period, the Group's other gains/(losses) — net mainly included net foreign exchange gains/(losses) and realised and unrealised gains on financial assets at fair value through profit or loss.

The Group recorded other gains — net of RMB14.9 million for the year ended December 31, 2023 and other losses — net of RMB60.1 million for the year ended December 31, 2022 with other gains increased by RMB75.0 million in aggregate, primarily due to the increase of RMB82.0 million in net foreign exchange gains.

Finance Income and Costs

During the Reporting Period, the Group's finance income was interest income on bank savings. For the year ended December 31, 2023, the Group's finance income was RMB10.2 million.

During the Reporting Period, the Group's finance costs were mainly composed of interest expenses on bank borrowings. For the year ended December 31, 2023, the Group's finance costs were RMB43.2 million.

Income Tax Expense

The Group's income tax expense increased by 6.0% to RMB171.1 million for the year ended December 31, 2023 from RMB161.4 million for the year ended December 31, 2022.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 42.1% to RMB684.9 million for the year ended December 31, 2023 from RMB481.9 million for the year ended December 31, 2022, with a year-on-year increase in net profit of 63.6% 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 17.5% to RMB713.4 million for the year ended December 31, 2023 from RMB607.0 million for the year ended December 31, 2022, with a year-on-year increase in non-IFRS adjusted net profit of 31.1% after excluding the one-off impact of the nucleic acid tests.

Non-IFRS Measures

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

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

	Year ended December 31	
	2023 ***(RMB'000)***	2022 *(RMB'000)*
Net profit	**684,948**	481,876
Adjustments:		
Add:		
Share-based compensation expenses	**29,250**	38,085
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**10,413**	9,780
Net foreign exchange (gains)/losses	**(11,166)**	77,272
Non-IFRS adjusted net profit	**713,445**	607,013

Liquidity and Capital Resources

As of December 31, 2023, the Group had cash and cash equivalents of RMB549.7 million, structured deposit and wealth management products of RMB206.2 million, and restricted cash of RMB12.1 million, for a total of RMB768.0 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 14.2% to RMB782.8 million for the year ended December 31, 2023 from RMB685.4 million for the year ended December 31, 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 acquisition of subsidiaries, payments for purchases of property, plant and equipment and payments for purchases of financial assets at fair value through profit or loss. The Group's cash generated from investing activities was mainly composed of proceeds from disposal of financial assets at fair value through profit or loss.

The Group's net cash used in investing activities increased by 669.6% to RMB2,863.5 million for the year ended December 31, 2023 from RMB372.1 million for the year ended December 31, 2022. The increase in net cash used in investing activities of RMB2,491.4 million was primarily attributable to: (i) the increase in the payment for acquisition of subsidiaries by the Group of RMB1,619.6 million; (ii) the increase in the net cash outflow from disposing and purchasing financial assets at fair value through profit or loss of RMB528.5 million; and (iii) the increase in payments for purchases of property, plant and equipment of RMB332.6 million.

Financing Activities

During the Reporting Period, cash inflow from financing activities was mainly composed of proceeds from issue of shares upon placing 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 dividends to the Company's Shareholders.

The Group's net cash generated from financing activities for the year ended December 31, 2023 was RMB1,775.3 million, while the net cash used in financing activities for the year ended December 31, 2022 was RMB154.2 million. The increase in net cash generated from financing activities of RMB1,929.5 million was mainly due to: (i) the increase of RMB1,298.7 million in the net cash inflow from bank borrowings; and (ii) the increase of RMB681.7 million in the proceeds from the placing completed by the Group in January 2023.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 55.0% to RMB940.8 million for the year ended December 31, 2023 from RMB606.9 million for the year ended December 31, 2022.

Significant Investments, Material Acquisitions and Disposals

On May 9, 2023, the Group announced the acquisition of 89.2% equity interest in Yixing Hygeia Hospital and Subang Medical Technology. Please refer to the announcement of the Company dated May 9, 2023 and Note 36 to the consolidated financial statements for more details.

On July 25, 2023, the Group announced the acquisition of (i) the entire issued share capital of Datang HK, which holds 70% equity interest in Chang'an Hospital, and (ii) 30% equity interest in Chang'an Hospital. Please refer to the announcements of the Company dated July 25, 2023 and Note 36 to the consolidated financial statements for more details.

On November 30, 2023, the Group announced the acquisition of the entire equity interest in Qufu Chengdong Hospital. Please refer to the announcement of the Company dated November 30, 2023 and Note 36 to the consolidated financial statements for more details.

Save as disclosed above, the Group did not have any other material acquisition or disposal for the year ended December 31, 2023.

Financial Position

Total Assets and Total Liabilities

As of December 31, 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 48.2% to RMB10,734.6 million as of December 31, 2023 from RMB7,241.9 million as of December 31, 2022.

As of December 31, 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 94.6% to RMB4,479.7 million as of December 31, 2023 from RMB2,301.9 million as of December 31, 2022.

As of December 31, 2023, the increases in the Group's total assets and total liabilities were primarily attributable to the new acquisition of hospitals.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 35.1% to RMB207.9 million as of December 31, 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 45.3% to RMB864.0 million as of December 31, 2023 from RMB594.6 million as of December 31, 2022. The Group's trade receivables increased by 24.2% over last year after excluding the impact of new acquisition of hospitals.

The Group's other receivables mainly represented deposits receivables. The Group's other receivables decreased by 11.1% to RMB43.9 million as of December 31, 2023 from RMB49.4 million as of December 31, 2022.

The Group's prepayments for current assets mainly represented prepayments to suppliers. The Group's prepayments to suppliers increased by 42.1% to RMB71.5 million as of December 31, 2023 from RMB50.3 million as of December 31, 2022.

The Group's prepayments for non-current assets included prepayments for property, plant and equipment. The Group's prepayments for non-current assets increased by 76.8% to RMB138.8 million as of December 31, 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 comprised of goodwill, medical licenses, software, and contractual rights to provide management services. The Group's intangible assets increased by 65.5% to RMB3,945.8 million as of December 31, 2023 from RMB2,383.9 million as of December 31, 2022, primarily due to the goodwill of RMB1,489.2 million arising from the mergers and acquisitions in 2023.

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 73.4% to RMB687.1 million as of December 31, 2023 from RMB396.2 million as of December 31, 2022.

The Group's other payables primarily represented salaries payables, payables for construction projects, payables of considerations for acquisition of subsidiaries and other taxes payables. The Group's other payables increased by 109.8% to RMB723.0 million as of December 31, 2023 from RMB344.6 million as of December 31, 2022.

Borrowings

As of December 31, 2023, the Group had outstanding short-term borrowings of RMB402.4 million and long-term borrowings of RMB2,319.0 million.

Pledge of Assets

Except for equity pledge and pledge of property, plant and equipment of the Group mentioned in Note 24 to the consolidated financial statements, the Group had no other pledged assets as of December 31, 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 86.0% to RMB54.3 million as of December 31, 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 December 31, 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 decreased by 15.3% to RMB494.4 million as of December 31, 2023 from RMB583.4 million as of December 31, 2022.

Contingent Liabilities

As of December 31, 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 or loss, restricted cash, 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 and restricted cash. The gearing ratio of the Group as of December 31, 2023 was 34.6%.

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in USD and Hong Kong dollars. The monetary assets denominated in foreign currency as of December 31, 2023 amounted to RMB1.2 million. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the year ended December 31, 2023 would have been RMB47 thousand 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 is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss, trade and other receivables and amounts due from related parties. 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, cash and cash equivalents and restricted cash 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 the Managed Hospital. 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 closely monitors the patients' billings and claim status to minimise the credit risk. For the receivables from the radiotherapy centers and the Managed Hospital, the Group has granted credit term of 0–90 days and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

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

Liquidity Risk

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

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended December 31, 2023.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, the Group had 8,238 full-time employees, among whom 93 were employees at the headquarters level and 8,145 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of December 31, 2023:

Functions	Number of employees	% of total employees
Headquarters level		
Operations	52	0.6
Manufacturing	18	0.2
Management, administrative and others	23	0.3
Sub-total	**93**	**1.1**
Self-owned hospitals		
Physicians	2,341	28.4
Other medical professionals	4,578	55.6
Management, administrative and others	1,226	14.9
Sub-total	**8,145**	**98.9**
Total	**8,238**	**100.0**

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

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

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

For the year ended December 31, 2023, total staff remuneration expenses including Directors' remuneration amounted to RMB1,335.9 million (for the year ended December 31, 2022: RMB1,049.8 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

EVENT AFTER THE REPORTING PERIOD

There was no significant event that might affect the Group after the Reporting Period.

Directors and Senior Management

DIRECTORS

Chairman of the Board and Executive Director

Mr. Zhu Yiwen (朱義文), aged 60, was appointed as the non-executive Director and vice chairman of the Company on March 30, 2021, appointed as the Chairman of the Board on July 6, 2021, and redesignated as the executive Director of the Company on August 23, 2021. Mr. Zhu is primarily responsible for the mid to long term development strategy formulation and the disciplines development planning of the in-network hospital of the Group. Mr. Zhu is the father of Ms. Zhu, and father-in-law of Mr. Ren.

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

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

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

Executive Directors

Ms. Cheng Huanhuan (程歡歡), aged 40, was appointed as the Director of the Company on June 3, 2019 and was re-designated as the executive Director on September 18, 2019. Ms. Cheng has been with the Group for more than 10 years since it started its business in 2009, and was appointed as the chief executive officer of the Group on December 24, 2019, and re-designated as the Co-chief Executive Officer of the Company on August 23, 2021, primarily responsible for implementing decisions of the Board, and overseeing the daily operation and management of the Group.

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

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

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

Mr. Ren Ai (任愛), aged 39, was appointed as the Director of the Company on September 12, 2018 and was re-designated as the executive Director on September 18, 2019. Mr. Ren is primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of the Group, assisting the chairman of the Board in supervising the implementation of the decisions of the Board, and responsible for the investment and financing, supply chain management and human resources of the Group. Mr. Ren is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu.

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

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

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

Mr. Zhang Wenshan (張文山), aged 42, was appointed as the executive Director of the Company on January 20, 2020 and has been the director of research & development and manufacturing of the Group since January 2014, primarily responsible for overseeing the research, development and manufacturing operations of the Group. Prior to joining the Group, in January 2007, Mr. Zhang joined Gamma Star Tech, responsible for manufacturing operations and after-sales services. Mr. Zhang was promoted as the director of research, development and manufacturing of the Group in January 2014 and has been the leader of the Group's research & development and manufacturing operations since then.

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

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

Ms. Jiang Hui (姜蕙), aged 48, was appointed as the executive Director of the Company on December 23, 2020 and has been the director of the Group's radiotherapy division since January 2015, primarily responsible for overseeing the business operation of the Group's in-network radiotherapy centers.

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

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

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群), aged 67, was appointed as the independent non-executive Director of the Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

Mr. Liu obtained his bachelor's degree in medicine from Xuzhou Medical University (徐州醫科大學, formerly known as Xuzhou Medical College (徐州醫學院)) in December 1982. In July 1991, he obtained his master's degree in dermatology from Nanjing Medical University (南京醫科大學, formerly known as Nanjing Medical College (南京醫學院)).

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

Mr. Zhao Chun (趙淳), aged 71, was appointed as an independent non-executive Director of the Company on May 6, 2022 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Zhao, has more than 22 years of experience in the hospital management sector. Mr. Zhao is currently the executive vice president of the Management of Private Hospitals Branch of Chinese Hospital Association (中國醫院協會 — 民營醫院管理分會) and previously held other positions, including the deputy secretary general and secretary general since September 2000. Concurrently, he has also served as the chairman of committee of the Chinese Medical Foundation of Medical Clinical Specialist Development Specialist Committee* (中國醫學基金會醫學臨床專科發展專業委員會) since November 2020.

Prior to that, from March 2016 to March 2019, Mr. Zhao served as the vice chairman of the Expert Certification Committee on the Competitiveness of Chinese Private Hospitals* (中國醫院競爭力(民營)星級認證專家委員會) of the Hong Kong Institute of Asclepius Hospital Management* (香港艾力彼醫院管理研究中心) and from February 2006 to August 2011, he was the deputy secretary general of Chinese Hospital Association (中國醫院協會).

Mr. Zhao currently also holds a directorship position in a company listed on the Stock Exchange. Mr. Zhao was appointed as an independent non-executive director of Honliv Healthcare Management Group Company Limited (Stock Code: 9906.HK) since June 7, 2016.

Mr. Zhao obtained a diploma in philosophy from Nankai University (南開大學) in the PRC in June 1987.

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

Mr. Ye Changqing (葉長青), aged 53, was appointed as an independent non-executive Director of the Company on September 21, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Ye has over 25 years of experience in professional accounting, financial advisory and investment services. From April 1993 to January 2011, Mr. Ye worked at PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所 (特殊普通合夥)), with his last positions being service line leader of advisory services and leader of transaction services of Shanghai office. He subsequently worked at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司) from February 2011 to December 2015, and his last positions there were managing director, chief financial officer and member of the investment committee.

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

Mr. Ye has been an independent non-executive director of Luzhou Bank Co., Ltd. (瀘州銀行股份有限公司), formerly known as Luzhou City Commercial Bank (瀘州商業銀行) (Stock Code: 1983.HK) from December 2018 to September 2022. Mr. Ye has been an independent non-executive director of Baozun Inc. (Stock Code: BZUN. NASDAQ, 9991.HK) since May 2016, Niu Technologies (Stock Code: NIU. NASDAQ) since October 2018, Jinxin Fertility Group Limited (Stock Code: 1951.HK) since June 2019, Ascentage Pharma Group International (Stock Code: 6855.HK) since June 2019, VNET Group, Inc. (Stock Code: VNET. NASDAQ) since August 2022 and NWTN Inc. (Stock Code: NWTN. NASDAQ) since November 2022.

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

SENIOR MANAGEMENT

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

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

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

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

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

Directors' Report

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the PRC in (i) operating private for-profit hospitals; and (ii) other business.

Analysis of the principal activities of the Group during the year ended December 31, 2023 is set out in Note 5 to the consolidated financial statements in this annual report.

A list of the Company's principal subsidiaries as of December 31, 2023, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 37 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

For more details, please refer to the Environmental, Social and Governance Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated financial statements of this annual report.

The Board has resolved not to declare any final dividend for the year ended December 31, 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from June 25, 2024 to June 28, 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM. During such period, no transfers of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on June 28, 2024 will be June 28, 2024. In order to be eligible for attending the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on June 24, 2024.

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

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

Shareholders

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

Staff

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

Patients and Customers

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

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

Suppliers

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

For the year ended December 31, 2023, there was no significant and material dispute between the Group and its stakeholders.

FINANCIAL SUMMARY

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

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILIZATION

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

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$2,391.9 million and have been fully utilized as at December 31, 2023.

Please refer to the Prospectus and the announcements of the Company dated May 26, 2021 and September 27, 2023 for details.

Details on the applications of the net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcements dated May 26, 2021 and September 27, 2023. The following table sets out the revised applications of the net proceeds and actual usage up to December 31, 2023:

	Planned applications *HK$ million*	Revised applications *HK$ million*	Amount utilized up to December 31, 2023 *HK$ million*	Remaining Amount as of December 31, 2023 *HK$ million*
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	–
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	717.6	1,167.6	1,167.6	–
Upgrading information technology systems	119.6	36.9	36.9	–
Working capital and other general corporate purposes	119.6	202.3	202.3	–
Total	**2,391.9**	**2,391.9**	**2,391.9**	**–**

Note:

Approximately HK$101.2 million of the proceeds from the Global Offering was brought forward for use in the Reporting Period, amongst which approximately HK$18.5 million was utilized for upgrading information technology systems and approximately HK$82.7 million was utilized for working capital and other general corporate purposes.

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 closing price was HK$56.20 per share as quoted on the Stock Exchange on the date of the Placing agreement.

The net proceeds from the Placing were approximately HK$785.4 million, and have been fully utilized as at December 31, 2023. Such amounts were used in the following manner: (i) approximately 85% were 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% were used for establishing new hospitals including continuous construction of Dezhou Hygeia Hospital, Wuxi Hygeia Hospital, and Changshu Hygeia Hospital; and (iii) approximately 5% were used for other general corporate purposes. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

	Planned applications *HK$ million*	Amount utilized up to December 31, 2023 *HK$ million*	Remaining Amount as of December 31, 2023 *HK$ million*
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	667.6	–
To establish new hospitals including continuous construction of Dezhou Hygeia Hospital, Wuxi Hygeia Hospital, and Changshu Hygeia Hospital	78.5	78.5	–
For other general corporate purposes	39.3	39.3	–
Total	**785.4**	**785.4**	**–**

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2023, the Group's sales to its five largest customers accounted for 2.7% (2022: 2.7%) of the Group's total revenue, and the Group's sales to its single largest customer accounted for 1.3% (2022: 1.3%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2023, the Group's purchases from its five largest suppliers accounted for 32.8% (2022: 33.2%) of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 11.1% (2022: 9.5%) of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group in 2023 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the changes in the Group's reserves for the year ended December 31, 2023 are set out in Note 22 to the consolidated financial statements. Details of the changes in the Company's reserves for the year ended December 31, 2023 are set out in Note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company's reserves available for distribution were approximately RMB7,286.8 million.

TAXATION

Tax position of the Company for the year ended December 31, 2023 is set out in Note 11 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

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

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company for the year ended December 31, 2023 are set out in Note 24 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended December 31, 2023 and up to the date of this annual report are:

Executive Directors

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

Independent Non-executive Directors

Mr. Liu Yanqun
Mr. Ye Changqing
Mr. Zhao Chun

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

Details of the Directors, Mr. Ren Ai, Ms. Jiang Hui and Mr. Liu Yanqun, to be re-elected at the AGM will be set out in the circular to the Shareholders to be dispatched in due course.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

REMUNERATION POLICY

As of December 31, 2023, the Group had 8,238 employees (December 31, 2022: 5,816 employees), among which 93 were employees at the headquarters level and 8,145 were employees of self-owned hospitals. Total staff remuneration expenses including Directors' remuneration in 2023 amounted to RMB1,335.9 million (for the year ended December 31, 2022: RMB1,049.8 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

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

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

RETIREMENT AND EMPLOYEE BENEFIT PLANS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As of December 31, 2023, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares (5)	Approximate percentage of total issued Shares(6)
Mr. Zhu Yiwen (1) (2)	Interest in a controlled corporation/Interest of concert parties/Beneficial interest	282,200,215 (L)	44.69%
Mr. Ren Ai (3)(4)	Interest in a controlled corporation/Interest of spouse/Beneficial interest	282,200,215 (L)	44.69%
Mr. Zhang Wenshan	Beneficial interest	32,235 (L)	0.01%

(b) Share Options granted by the Company

Name of Director	Number if underlying Shares held pursuant to share option scheme	Approximate percentage of total issues Shares(6)
Mr. Zhu Yiwen	280,000	0.04%
Ms. Cheng Huanhuan	80,000	0.01%
Mr. Ren Ai	120,000	0.02%
Mr. Zhang Wenshan	60,000	0.01%
Ms. Jiang Hui	60,000	0.01%

Notes:

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

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

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

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

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

(6) As at December 31, 2023, the total number of issued Shares was 631,524,200.

Interests in the associated corporation

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

Notes:

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

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

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

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

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

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

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

Save as disclosed above, as of December 31, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

CHANGES TO THE INFORMATION OF DIRECTORS

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

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

As of December 31, 2023, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held (5)	Approximate percentage of shareholding in the Company(6)
Century River Investment (1)(3)	Interest in a controlled corporation/Interest of concert parties	282,200,215 (L)	44.69%
Century River (1)(3)	Interest of concert parties/Beneficial interest	282,200,215 (L)	44.69%
Ms. Zhu (2)(3)(4)	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	282,200,215 (L)	44.69%
Red Palm Investment (2)(3)	Interest in a controlled corporation/Interest of concert parties	282,200,215 (L)	44.69%
Amber Tree (2)(3)	Beneficial interest/Interest of concert parties	282,200,215 (L)	44.69%
Red Palm (2)(3)	Beneficial interest/Interest of concert parties	282,200,215 (L)	44.69%

Notes:

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

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

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

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

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

(6) As at December 31, 2023, the total number of issued Shares was 631,524,200.

Save as disclosed above, as of December 31, 2023, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

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

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

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

PRE-IPO RESTRICTED SHARE SCHEME

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

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

SHARE OPTION SCHEME

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

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares ("**Share Options**" or "**Option(s)**"), which represents 3% of the total number of issued Shares of the Company as 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 annual report, 7,047,000 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 1.12% 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 28 to the consolidated financial statements.

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 December 31, 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 December 31, 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 December 31,2023	Vesting date *(Note 3)*	Performance targets
Directors or 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	186,800	–	5,218,400	*(Note 2)*	–
Sub-total						6,738,000	–	1,332,800	–	–	186,800	–	5,218,400		–
Other related entity participants								N/A							
Other service providers								N/A							
Total						7,338,000	–	1,452,800	–	–	186,800	–	5,698,400		–

Notes:

Note 1

As of December 31, 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 December 31, 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 recognised 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 28 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

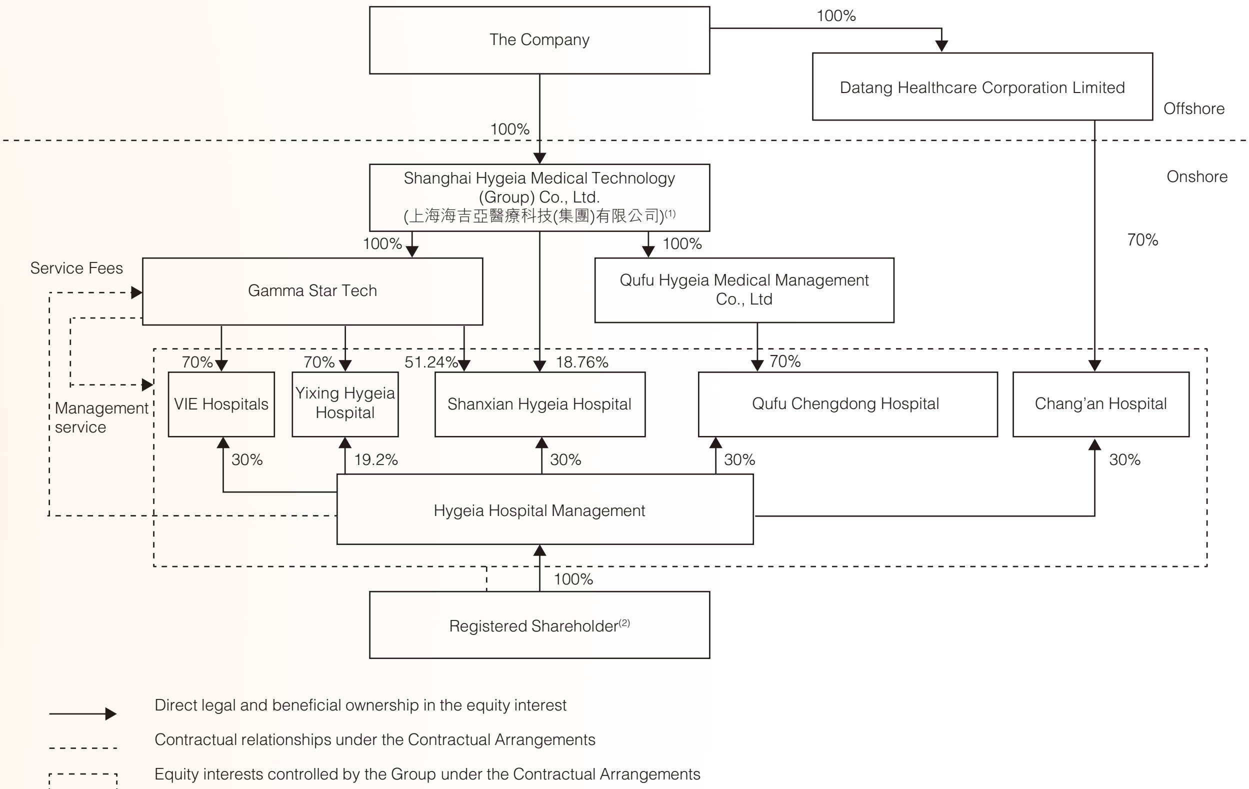
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt continuing connected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

Contractual Arrangements

The Group primarily engages in the hospital business, third-party radiotherapy business and hospital management business. According to the applicable PRC laws and Regulations, medical institutions fall within the "restricted" investment category, and therefore may not be held 100.00% by foreign investors, and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. Furthermore, the competent authorities for foreign investment administration where the Group operates its hospitals is of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70.00% equity interest in each of the Group's hospitals in the PRC (the "**Foreign Ownership Restriction**"). As such, the Group currently holds 70.00% equity interest in each of the VIE Hospitals. Hygeia Hospital Management, a company wholly-owned by Xiangshang Investment (the "**Registered Shareholder**") which is in turn owned by Mr. Zhu and Ms. Zhu, holds the remaining 30.00% equity interest in the VIE Hospitals (other than Yixing Hygeia Hospital in which it holds 19.2% equity interest).

In light of the Foreign Ownership Restriction and in order to control Hygeia Hospital Management to prevent leakages of equity and values to the minority shareholder of the Group's VIE Hospitals and to obtain the maximum economic benefits of these hospitals, on April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29 and December 31, 2021, July 28 and September 20, 2022, May 23, September 7 and December 12, 2023, the Group entered into the Contractual Arrangements with its VIE Hospitals, Hygeia Hospital Management, Gamma Star Tech and Xiangshang Investment. Under the Contractual Arrangements, Gamma Star Tech has acquired effective control over the financial and operational policies of the VIE Hospitals and the Group has become entitled to the proportionate economic benefits derived from their operations.

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



Notes:

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

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

Summary of the Material Terms of the Contractual Arrangements

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

(1) Exclusive Operation Services Agreements

Hygeia Hospital Management, the Registered Shareholder and Gamma Star Tech entered into the exclusive operation services agreements with the VIE Hospitals on April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, July 28 and September 20, 2022, May 23, September 7 and December 12, 2023 (collectively the "**Exclusive Operation Services Agreements**"), pursuant to which Hygeia Hospital Management, the Registered Shareholder and the VIE Hospitals agreed to engage Gamma Star Tech as their exclusive service provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreements, the services to be provided include but are not limited to (i) business, financing and investment, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategy formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions and shareholder's rights and investment management. Gamma Star Tech has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreements, Gamma Star Tech may use the intellectual property rights owned by Hygeia Hospital Management and the VIE Hospitals free of charge and without any conditions. Hygeia Hospital Management and the VIE Hospitals may also use the intellectual property work created by Gamma Star Tech from the services performed by Gamma Star Tech in accordance with the Exclusive Operation Service Agreements.

Under the Exclusive Operation Services Agreements, the service fee shall be an amount equal to the annual distributable profits of Hygeia Hospital Management, consisting of 30% of the distributable net profit of the VIE Hospitals (other than Yixing Hygeia Hospital where the service fee shall be an amount consisting of 19.2% of the distributable net profit of Yixing Hygeia Hospital) of a given audited financial year, after deducting the losses from the previous financial years (if any) and the statutory contributions (if applicable) subject to the applicable PRC laws and regulations. Apart from the service fees, Hygeia Hospital Management and the VIE Hospitals shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Gamma Star Tech in connection with the performance of the Exclusive Operation Services Agreements and provision of services thereunder.

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

(2) Exclusive Option Agreements

On each of April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, July 28 and September 20, 2022, May 23, September 7 and December 12, 2023, Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management entered into the exclusive option agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management entered into the exclusive option agreements with the VIE Hospitals (all of these exclusive option agreements are collectively referred to as the "**Exclusive Option Agreements**").

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

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

(3) Entrustment Agreements and Powers of Attorney

On each of April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, July 28 and September 20, 2022, May 23, September 7 and December 12, 2023, Gamma Star Tech, the Registered Shareholder and Hygeia Hospital Management entered into the shareholders' rights entrustment agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management entered into the shareholders' rights entrustment agreements with the VIE Hospitals (all of these shareholders' rights entrustment agreements are collectively referred to as the "**Entrustment Agreements**") and the powers of attorney (collectively the "**Powers of Attorney**") were executed by the each of Registered Shareholder, Hygeia Hospital Management and Chongqing Hygeia Hospital on April 8, 2019, and by each of the Registered Shareholder and Hygeia Hospital Management on each of June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, July 28 and September 20, 2022, May 23, September 7 and December 12, 2023, all in favor of Gamma Star Tech (the "**Attorney**").

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

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

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

(4) Equity Pledge Agreements

On each of April 8, June 20 and December 18, 2019, July 22, 2020, June 7, June 29, July 7, July 12, July 29, and December 31, 2021, July 28 and September 20, 2022, May 23, September 7 and December 12, 2023, Gamma Star Tech, Hygeia Hospital Management and the Registered Shareholder entered into the equity pledge agreements, and on the same dates, Gamma Star Tech and Hygeia Hospital Management entered into the equity pledge agreements with the VIE Hospitals, and on April 8, 2019, Gamma Star Tech, Chongqing Hygeia Hospital and Longyan Boai Hospital entered into an equity pledge agreement (all of these equity pledge agreements are collectively referred to as the "**Equity Pledge Agreements**"), pursuant to which (i) the Registered Shareholder agrees to pledge all of its equity interest in Hygeia Hospital Management, (ii) Hygeia Hospital Management agrees to pledge all of its equity interests in the VIE Hospitals (except for Longyan Boai Hospital), and (iii) Chongqing Hygeia Hospital agrees to pledge all of its equity interest in Longyan Boai Hospital, in favor of Gamma Star Tech to secure performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

(5) Spousal Undertakings

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

Business Activities and Financial Contribution of the VIE Hospitals

The VIE Hospitals are principally engaged in providing healthcare services. The Group currently holds 70% equity interest in each of the VIE Hospitals and as a result of the Contractual Arrangements, the Group has obtained control of the remaining 30% equity interest of the VIE Hospitals (other than Yixing Hygeia Hospital in which it controls 19.2% equity interest) through Hygeia Hospital Management. As such, the Company is entitled to receive the proportionate economic interest returns generated by the VIE Hospitals. The following table sets forth the revenue and assets of the VIE Hospitals subject to the Contractual Arrangements during the Reporting Period:

	For the year ended December 31, 2023		As of December 31, 2023	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
VIE Hospitals	**2,944,471**	**72.2**	5,498,779	51.2

Governing Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The auditor of the Group has carried out certain procedures, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, under the requirements of Rule 14A.56 of the Listing Rules, on the transactions carried out pursuant to the Contractual Arrangements for the year ended December 31, 2023 and has provided a letter to the Board confirming that:

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

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

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

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

Material Changes

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2023, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Hospitals under the Contractual Arrangements.

Hospital Management and Procurement Agreements

The Group manages and operates, and receives management fees from Handan Renhe Hospital. It also supplies medicine and medical consumables to the hospital pursuant to the procurement agreements it entered into with Handan Renhe Hospital.

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Handan Renhe Hospital Management Agreement

Pursuant to the hospital management agreement entered into by Gamma Star Tech with Handan Renhe Hospital on July 31, 2011 (the "**Handan Renhe Hospital Management Agreement**"), the Group is entitled to receive management service fees calculated as a fixed percentage of the revenue of Handan Renhe Hospital in return for the daily hospital operation management services provided and to be provided by the Group. The management fee rates are determined based on arm's length negotiations between Handan Renhe Hospital and the Group after taking into consideration of the scope of services provided by the Group to Handan Renhe Hospital, with reference to common market practice in the PRC healthcare service industry. The term of the Handan Renhe Hospital Management Agreement is for a period of 40 years from the respective signing date. For details, please refer to the section headed "Connected Transactions" of the Prospectus and the announcements of the Company dated December 28, 2022 and November 17, 2023.

Handan Renhe Procurement Agreements

Reference is made to the announcements of the Company dated September 14, 2021, September 28, 2021 and November 30, 2023 (the "**Procurement Announcements**"). Unless otherwise specified, capitalized terms used herein have the same meanings as those defined in the Procurement Announcements.

Pursuant to (i) the Existing Renhe Medicine Procurement Agreement entered into by Qihai Medicine and Handan Renhe Hospital on September 14, 2021 and (ii) the Existing Renhe Medical Consumables Procurement Agreement entered into by Jiangsu Medical and Handan Renhe Hospital on September 14, 2021, each of Qihai Medicine and Jiangsu Medical agreed to supply, as required for the daily operation needs of hospitals from time to time and within the scope of operation permit of Qihai Medicine and Jiangsu Medical, the Medicine and the Medical Consumables to Handan Renhe Hospital in accordance with the terms and conditions contained therein. The Existing Procurement Agreements expired on December 31, 2023.

Accordingly, (i) Qihai Medicine and Handan Renhe Hospital entered into the New Renhe Medicine Procurement Agreement on November 30, 2023, and (ii) Jiangsu Medical and Handan Renhe Hospital entered into the New Renhe Medical Consumables Procurement Agreement on November 30, 2023. Pursuant to the New Procurement Agreements (together with the Existing Procurement Agreements, the "**Handan Renhe Procurement Agreements**"), each of Qihai Medicine and Jiangsu Medical agreed to supply, as required for the daily operation needs of Handan Renhe Hospital from time to time and within the scope of operation permit of Qihai Medicine and Jiangsu Medical, the Medicine and the Medical Consumables, to Handan Renhe Hospital in accordance with the terms and conditions therein. For details, please refer to the Procurement Announcements.

Reasons for the Transactions

Handan Renhe Hospital Management Agreement

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

Handan Renhe Procurement Agreements

Qihai Medicine and Jiangsu Medical, being wholly-owned subsidiaries of the Company, are principally engaged in the wholesale of medicine and medical consumables. The Directors are of the view that the entering of the Handan Renhe Procurement Agreements between Qihai Medicine and Jiangsu Medical, on the one hand, and Handan Renhe Hospital, on the other hand, are commercially beneficial to the Group and its in-network hospitals as the entering of the Handan Renhe Procurement Agreements centralizes the procurement and provides a stable supply of medicine and medical consumables to such hospitals, which promotes operational efficiency and enhances service level provided by the Group to the in-network hospitals as compared to purchasing from other external third-party suppliers. The entering of the Handan Renhe Procurement Agreements will also improve the service quality of in-network hospitals, and satisfy the increasing demands of patients.

Annual Caps and Historical Amounts during the Reporting Period

Handan Renhe Hospital Management Agreement

The historical transaction amounts in relation to the provision of management services paid by Handan Renhe Hospital to the Group under the Handan Renhe Hospital Management Agreement for each of the years ended December 31, 2021, 2022 and 2023 was approximately nil[1], RMB2.9 million and RMB4.5 million, respectively.

Pursuant to the revision of annual caps for the Handan Renhe Hospital Management Agreement in the announcement of the Company dated November 17, 2023, the maximum total amount of fees receivable by Gamma Star Tech from Handan Renhe Hospital under the Handan Renhe Hospital Management Agreement for each of the three years ending December 31, 2023, 2024 and 2025 should not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2023	2024 *(RMB in millions)*	2025
Total amount of fees receivable under the Handan Renhe Hospital Management Agreement	4.7	5.6	7.0

Handan Renhe Procurement Agreements

The historical transaction amounts in relation to the procurement of Medicine paid by Handan Renhe Hospital to the Group under the Existing Renhe Medicine Procurement Agreement for each of the years ended December 31, 2021 and 2022 and 2023 was approximately nil[2], RMB4.5 million and RMB4.1 million, respectively.

The historical transaction amounts in relation to the procurement of Medical Consumables paid by Handan Renhe Hospital to the Group under the Existing Renhe Medical Consumables Procurement Agreement for each of the years ended December 31, 2021 and 2022 and 2023 was approximately RMB0.5 million, RMB5.2 million and RMB7.0 million, respectively.

Pursuant to the setting of annual caps for the New Procurement Agreements in the announcement of the Company dated November 30, 2023, the maximum total amount of fees receivable by Qihai Medicine and Jiangsu Medical from Handan Renhe Hospital under the New Procurement Agreements for each of the three years ending December 31, 2024, 2025 and 2026 should not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2024	2025 *(RMB in millions)*	2026
Amounts to be paid by Handan Renhe Hospital to Qihai Medicine in respect of the procurement of the Medicine	10.0	15.0	20.0
Amounts to be paid by Handan Renhe Hospital to Jiangsu Medical in respect of the procurement of the Medical Consumables	11.3	16.5	22.5

1 The management fee to be paid by Handan Renhe Hospital to the Group under the Handan Renhe Hospital Management Agreement for the year ended December 31, 2021 was waived in order to mitigate the negative impact resulting from the prolonged outbreak of coronavirus disease (COVID-19) pandemic.

2 Qihai Medicine was established on August 11, 2021 and officially commenced operations by the end of 2021. As such, there were no transactions conducted under the Existing Renhe Medicine Procurement Agreement for the year ended December 31, 2021.

Listing Rules Implications

Handan Renhe Hospital is a private not-for-profit hospital in which Xiangshang Investment (owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively) holds 30% organizer's interest (舉辦人權益), and hence an associate of Mr. Zhu and Ms. Zhu. Accordingly, Handan Renhe Hospital is a connected person of the Company under the Listing Rules and the transactions contemplated under the Handan Renhe Hospital Management Agreement and the Handan Renhe Procurement Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under each of the Handan Renhe Hospital Management Agreement and the Handan Renhe Procurement Agreements is expected to, on an annual basis, exceed 0.1% but less than 5%, and they are on normal commercial terms or better, the transactions will be subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual Review by the Directors and Auditors

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2023, there is no other related party transaction or continuing related party transaction set out in Note 33 to the consolidated financial statements which constitutes connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

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

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the year ended December 31, 2023. No new business opportunity was informed by them as of December 31, 2023.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2023.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

For details, please refer to the announcement regarding the entering into of the April Facility Agreement was published on April 25, 2021 pursuant to Rule 13.18 of the Listing Rules.

As of the date of this annual report, the April Facility Agreement has been repaid in full.

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

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

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

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

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

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

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

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

For details, please refer to the circular regarding the entering into of the May Facility Agreement was published on June 25, 2021 pursuant to Rule 14.44 of the Listing Rules.

As of the date of this annual report, the May Facility Agreement has been repaid in full.

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

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

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

PRE-EMPTIVE RIGHTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of the Prospectus, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended December 31, 2023.

MANAGEMENT CONTRACTS

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

DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB0.4 million for the year ended December 31, 2023.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

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

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2023.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2023. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

There was no change in auditor of the Company in the past three years.

By order of the Board

Mr. Zhu Yiwen
Chairman

Hong Kong, March 26, 2024

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix C1 "Corporate Governance Code" (the "**CG Code**") to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code for the year ended December 31, 2023, except as disclosed below.

On March 30, 2021, Mr. Zhu Yiwen ("**Mr. Zhu**") was appointed as a non-executive Director and vice chairman of the Company. On July 6, 2021, the Company has appointed Mr. Zhu as the Chairman and he also ceased to act as the vice chairman of the Company. On August 23, 2021, Ms. Cheng Huanhuan was re-designated from the chief executive officer of the Company to co-chief executive officer of the Company and Mr. Zhu was re-designated from a non-executive Director to an executive Director as well as appointed as the chief executive officer of the Company. Since then, Mr. Zhu assumes the dual role as the Chairman and the chief executive officer of the Company. Notwithstanding that code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, the Board is of the view that with support of the mature corporate 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 to the greatest extent. The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the disclosure requirements as set out in Appendix C1 of the Listing Rules.

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

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

We acknowledge that to survive in a competitive business environment, both are intertwined and the key for success would be to ensure the board practices good governance while having sustainability in mind. The Group is keen to monitor and response to changes in its business and the external environment. Therefore, the Group is committed to strengthening its management's efforts to promote a sustainable development plan through good corporate governance, environmental protection, community investment and workplace practices. The Company will issue separately an Environmental, Social and Governance Report (the "**ESG Report**"). The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules. The ESG Report will present the Company's commitment to sustainable development during the year under review, and it will cover the key social, environmental and economic aspects and its respective impact arising from the activities of the Group.

CORPORATE STRATEGIES, BUSINESS MODEL AND CULTURE

Corporate Culture and Values

Our vision

Making Healthcare Services More Accessible and Affordable and Making Life Healthier

Our values

Telling the Truth, Being Pragmatic, and Acting with Integrity

Our Objectives

We endeavor to make healthcare services more accessible and affordable, addressing unmet demand of oncology patients in China

Our Strategies and Business Models

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals and radiotherapy centers through a combination of organic growth, strategic acquisitions and cooperation with hospital partners. As of December 31, 2023, we operated or managed a network of fifteen oncology-focused hospitals, with these in-network hospitals spanning across twelve cities in eight provinces in China.

Our Competitive Advantages

- The advanced oncology healthcare group in China, well positioned to capture the significant unmet demand
- An extensive and nationwide footprint of oncology-focused hospitals and radiotherapy centers
- A high-caliber and multi-disciplinary team of medical professionals
- Unique and vertically integrated radiotherapy service model underpinned by our proprietary SRT equipment
- Highly scalable business model empowered by our centralized and standardized management system
- Experienced and visionary management team with strong support from Shareholders

With the hope of increasing our employees' job satisfaction and involvement, we organize induction sessions for each new employee to help them understand our culture, values, strategies and philosophies; organize a number of after-work recreational activities; hold various trainings and seminars and offer competitive remuneration packages to them so that employees will contribute wholeheartedly to the Group. Coupled with the effort of our employees, we make use of our core competitive advantages with the hope to outperform our competitors in the market and make a higher return to our stakeholders. Further discussion and analysis on the review of the Group's business and an analysis of the Group's financial performance and likely future development in the Group's business, please refer to the sections headed "Management Discussion and Analysis" and "Directors' Report" as set out in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended December 31, 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the year ended December 31, 2023.

THE BOARD

Board Composition

During the year under review and as of the date of this annual report, the Board comprises the following Directors:

Executive Directors

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

Independent Non-executive Directors

Mr. Liu Yanqun
Mr. Ye Changqing
Mr. Zhao Chun

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

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

Independent Non-executive Directors and independence mechanism

Each of the independent non-executive Directors has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for a term of three years commencing from their respective date of appointment, which may be terminated by one month's notice in writing served by either the respective Director or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

For the year ended December 31, 2023, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2023, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Nomination Committee will assess the independency of all the independent non-executive Directors, including Mr. Liu Yanqun, Mr. Zhao Chun and Mr. Ye Changqing, annually to ensure that each of them satisfies the independence criteria as set out in Rule 3.13 of the Listing Rules and will also review their respective annual written confirmation of independence to the Company. As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

Each of independent non-executive Director possesses professional knowledge and experience in difference aspects which may enhance the diversity of the skills and perspectives to the Board. Mr. Liu Yanqun is a renowned medical expert in dermatology with over 40 years of experience in clinical practice and research. Mr. Zhao Chun has more than 23 years of experience in the hospital management sector. Mr. Ye Changqing has over 26 years of experience in professional accounting, financial advisory and investment services. Each of Mr. Liu, Mr. Zhao and Mr. Ye, without any interference of other executive Directors, may contribute their individual independent judgements and opinions on making substantial corporate decisions and strategic development of the Group, particularly for those involving in major acquisitions and disposals or material transactions (in particular those that may involve conflict of interests) of the Group.

During the year under review, the Board noted to the independent confirmations made by each independent non-executive Director, considered their individual time commitment to the Company, and reviewed their respective contributions on independent judgements and opinions on the Group's possible acquisitions of target hospitals, placing of shares under general mandate, repurchase of the Company's shares, revised annual caps for the Group's continuing connected transactions and the change in independent non-executive Directors and concluded that the implementation of this independence mechanism is effective.

Appointment, Resignation and Re-election of Directors

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

For the year ended December 31, 2023, there was no change in the members of the Board of Directors.

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

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

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

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

The Nomination Committee has considered that each of Mr. Ren Ai (who had over 15 years of working experience starting his career at several multinational corporations), Ms. Jiang Hui (responsible for overseeing the business operation of the Group's in-network radiotherapy centers) and Mr. Liu Yanqun (who expertise in dermatology was highly recognized nationwide, evidenced by the numerous honors and awards he received), are all in possession of rich experience and knowledge of the Group. The Nomination Committee is satisfied that each of Mr. Ren Ai, Ms. Jiang Hui and Mr. Liu Yanqun has performed their duties as Directors effectively. The Board is of the opinion that each of Mr. Ren Ai, Ms. Jiang Hui and Mr. Liu Yanqun with their knowledge and experience will continue to bring valuable contribution to the Board.

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Remuneration of Directors and Senior Management

Remuneration Policy

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors. Details of which are set out in the sub-paragraph "REMUNERATION POLICY" under Directors' Report as set out in this annual report.

The remuneration of employees is based on their respective experience, individual performance and prevailing market conditions.

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

Details of the remuneration of the members of the Board for the year ended December 31, 2023 are set out in Note 39 to the consolidated financial statements in this annual report.

The remuneration of the senior management members of the Company by band during the year ended December 31, 2023 is set out below:

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

Continuous Professional Development of Directors

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

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

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

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

For the year ended December 31, 2023, all the current Directors have been provided with the relevant guideline materials regarding the Listing Rules, regulatory updates and duty of disclosure of interests.

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

Board Diversity

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

As of the date of this annual report, the Board comprises a total of 8 Directors, of which 5 were executive Directors, namely Mr. Zhu Yiwen (Chairman), Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui; and 3 were independent non-executive Directors, namely Mr. Liu Yanqun, Mr. Zhao Chun and Mr. Ye Changqing.

Name of Director	Gender	Age	Working Experience	Education Level	Other Accreditation
Zhu Yiwen (朱義文)	Male	60	Over 30 years of clinical experience as an experienced physician	– Graduated from universities – Obtained bachelor's degree in medicine, majoring in neurosurgery – Obtained master's degree in clinical medicine	– Was accredited as an associate-chief physician – Was an associate professor by the Personnel Department of Jiangsu Province (江蘇省人事廳) – Was a member of Chinese Medical Association (中華醫學會) – Was a member of Radiation Oncology Specialty Society (放射腫瘤治療專科學會) of Jiangsu Branch of the Chinese Medical Association (中華醫學會江蘇分會)
Cheng Huanhuan (程歡歡)	Female	40	Over 15 years of working experience, primarily responsible for implementing decisions of the Board, overseeing the daily operation and management, building corporate culture, assisting with various board matters in relation to development strategies, operational goals and corporate governance	– Graduated from universities – Obtained bachelor's degree in literature – Obtained master's degree in translation studies	

Name of Director	Gender	Age	Working Experience	Education Level	Other Accreditation
Ren Ai (任愛)	Male	39	Over 15 years of working experience, primarily responsible for assisting in overseeing the daily operation and management, in charge of the investment and financing, supply chain management and human resources	– Graduated from universities – Obtained bachelor's degree in engineering – Obtained master's degree in business administration	
Zhang Wenshan (張文山)	Male	42	Over 15 years of working experience, primarily responsible for overseeing the research, development and manufacturing operations	– Graduated from university – Obtained bachelor's degree in administrative management	
Jiang Hui (姜蕙)	Female	48	Over 20 years of working experience, primarily responsible for overseeing the business operation of the Group's in-network radiotherapy centers	– Graduated from university – Obtained bachelor's degree in accounting	– Was accredited as a mid-level accountant by the Shanghai Bureau of Human Resources and Social Security (上海市人力資源和社會保障局)
Liu Yanqun (劉彥群)	Male	67	– Over 40 years of experience in clinical practice and research – is a renowned medical expert in dermatology	– Graduated from universities – Obtained bachelor's degree in medicine – Obtained master's degree in dermatology	– Was accredited as a chief physician and a professor by the Human Resources and Social Security Department of Jiangsu (江蘇省人力資源和社會保障廳) – Obtained numerous honors and awards, including, among others, the Special Government Allowances (政府特殊津貼) awarded by the State Council in recognition of his contribution to the nation's medical and healthcare services, and the Second Price in Natural Science (自然科學獎二等獎) awarded by the Ministry of Education of the PRC for his clinical research in genetic therapy for malignant tumor

Name of Director	Gender	Age	Working Experience	Education Level	Other Accreditation
Zhao Chun (趙淳)	Male	71	Over 23 years of experience in the hospital management sector	– Graduated from university – Obtained diploma in philosophy	– Currently the executive vice president of the Management of Private Hospitals Branch of Chinese Hospital Association (中國醫院協會 – 民營醫院管理分會) – Currently served as the chairman of committee of the Chinese Medical Foundation of Medical Clinical Specialist Development Specialist Committee (中國醫學基金會醫學臨床專科發展專業委員會) – Previously held other positions, including the deputy secretary general and secretary general – Previously served as the vice chairman of the Expert Certification Committee on the Competitiveness of Chinese Private Hospital (中國醫院競爭力(民營)星級認證專家委員會) of the Hong Kong Institute of Asclepius Hospital Management* (香港艾力彼醫院管理研究中心) – Previously served as the deputy secretary general of Chinese Hospital Association (中國醫院協會)
Ye Changqing (葉長青)	Male	53	Over 26 years of experience in professional accounting, financial advisory and investment services	– Graduated from Universities – Obtained his bachelor's degree in journalism – Obtained master's degree in business administration	Currently a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會)

The Board has 8 Directors, including 6 males and 2 females; 2 Directors aged 40 or below, 2 Directors aged between 41 to 50, 2 Directors aged between 51 to 60 and 2 Directors aged over 60. Among them, 3 have over 15 years, 3 have over 20 years, 1 has over 30 years and 1 has over 40 years of working experience. They are all graduated from universities, most of them obtained bachelor's degree, some of them obtained master's degree and having professional qualifications and was accredited by different organizations. Our Directors have a balanced mix of experiences and industry background, including but not limited to experiences in clinics, research, development, manufacturing operations, hospital management, financial advisory, accounting and investment industries. They obtained degrees or diploma in various majors including medical, business administration, dermatology, accounting, literature, translation and philosophy. The three independent non-executive Directors are with different industries and education backgrounds, representing over one-third of the total members of the Board, and are invited to serve on the Audit Committee, the Remuneration Committee, and the Nomination Committee. The Board has striven to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies for the Board to be effective.

All Directors, including independent non-executive Directors, have a balanced of gender and brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning. During the year under review, the Board reviewed the Board Diversity Policy and considers that the implementation of this Policy remains effective, and all members of the Board have generally achieved diversity in different aspects.

Workforce Diversity

Employees are the invaluable asset of the Company, this is because each person hired brings a diverse set of skills, knowledge, expertise, abilities, skillsets, and experience. Employee efficiency and talent determine the pace and growth of the Company. When employees feel valued, they will gladly compete in the race and beat the competition. Therefore, we set up a remuneration policy with an aim to attract, motivate and retain qualified and expert individuals that we need to achieve our strategic and operational objectives. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation, and discretionary bonus.

Adhering to the philosophy of being people-oriented, the Group cherishes the talents of employees, protects the rights and interests of employees, and is committed to providing employees with a good and stable career development platform to achieve the common development of employees and the Group. As of December 31, 2023, the Group had a total of 8,678 employees, including 2,728 male employees and 5,950 female employees, all located in Mainland China.

The following table shows the total number of employees of the Group by gender, age, employment type and position as of December 31, 2023.

Unit: Number of Employees	Age Group				
Gender	30 or below	31 to 40	41 to 50	51 or above	Total
Male	756	803	532	637	2,728
Female	2,881	2,074	649	346	5,950
Total	3,637	2,877	1,181	983	8,678

Employment Type		
Full-time	Part-time	Total
8,238	440	8,678

Position			
General Employees	Mid-level Management	Senior Management and Directors	Total
7,585	996	97	8,678

BOARD COMMITTEES

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

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

Audit Committee

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

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

The Audit Committee held 3 meetings and met the Company's external auditors during the year ended December 31, 2023.

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

- Reviewed the draft annual report and accounts as well as the draft annual results announcement for the year ended December 31, 2022;
- Reviewed the draft interim report and accounts as well as the draft interim results announcement for the six months ended June 30, 2023;
- Discussed with the external auditors the nature and scope of the audit and reporting obligations;
- Considered the re-appointment of the external auditors;
- Reviewed the effectiveness of the risk management and internal control systems;
- Reviewed the continuing connected transactions of the Company; and
- Considered the terms of engagement of the external auditors, including their proposed fees.

Remuneration Committee

The Remuneration Committee was established by the Board with specific written terms of reference. The terms of reference for the Remuneration Committee is available on the Company's website and the website of the Stock Exchange. The Remuneration Committee during the year and as of the date of this annual report consists of Mr. Ren Ai, Mr. Liu Yanqun and Mr. Zhao Chun, and is currently chaired by Mr. Zhao Chun.

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

The Remuneration Committee held 1 meeting during the year ended December 31, 2023.

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

- Reviewed and approved the matters relating to share schemes under Chapter 17 of the Listing Rules (if applicable); and

- Reviewed the Company's remuneration policy and structure for all Directors and Senior Management.

Nomination Committee

The Nomination Committee was established by the Board with specific written terms of reference. The terms of reference for the Nomination Committee is available on the Company's website and the website of the Stock Exchange. The Nomination Committee during the year and as of the date of this annual report consists of Mr. Ren Ai, Mr. Liu Yanqun and Mr. Zhao Chun with Mr. Liu Yanqun acts as the chairman of the Nomination Committee.

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

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

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

The Nomination Committee held 1 meeting during the year ended December 31, 2023.

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

- Considered the nomination of the retiring Directors for re-election as Directors at the annual general meeting;
- Reviewed the structure, size and composition of the Board;
- Assessed the independence of all independence non-executive Directors;
- Reviewed the nomination policy; and
- Reviewed the Board Diversity Policy.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

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

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision C.5.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. 11 Board meetings were held for the year ended December 31, 2023.

The attendance records of each Director at the Board and Board Committee meetings of the Company held during the year ended December 31, 2023 is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Zhu Yiwen *(Chairman)*	11/11	N/A	N/A	N/A
Ms. Cheng Huanhuan	11/11	N/A	N/A	N/A
Mr. Ren Ai	11/11	N/A	1/1	1/1
Mr. Zhang Wenshan	11/11	N/A	N/A	N/A
Ms. Jiang Hui	11/11	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Liu Yanqun	11/11	3/3	1/1	1/1
Mr. Ye Changqing	11/11	3/3	N/A	N/A
Mr. Zhao Chun	11/11	3/3	1/1	1/1

The annual general meeting of the Company was held on June 28, 2023 (the "**2023 AGM**").

The attendance records of each Director at the 2023 AGM held during the year ended December 31, 2023 is set out in the table below:

Name of Directors	**Attendance of the 2023 AGM**
Executive Directors	
Mr. Zhu Yiwen *(Chairman)*	✓
Ms. Cheng Huanhuan	✓
Mr. Ren Ai	✓
Mr. Zhang Wenshan	✓
Ms. Jiang Hui	✓
Independent Non-executive Directors	
Mr. Liu Yanqun	✓
Mr. Zhao Chun	✓
Mr. Ye Changqing	✓

During the year ended December 31, 2023, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2023.

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 92 to 99 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, for the year ended December 31, 2023, is set out below:

Type of Services	Amount *(RMB'000)*
Audit services	3,600
Non-audit services	—
Total	**3,600**

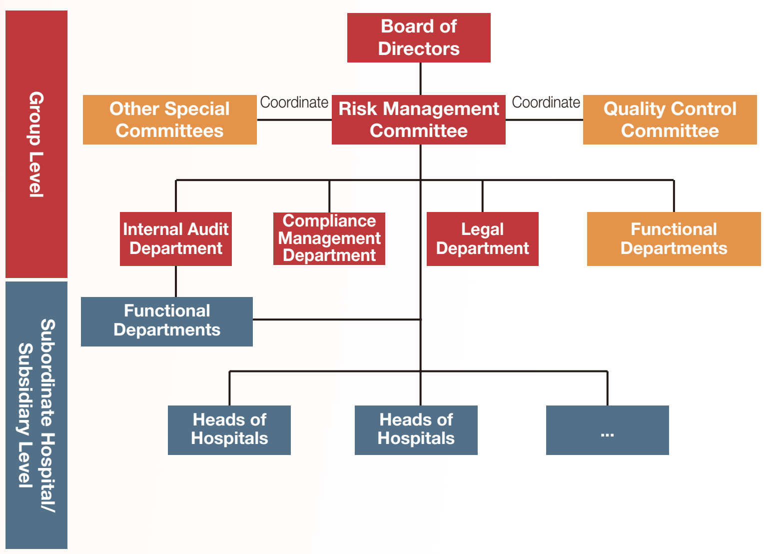
RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

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

Risk Management and Internal Control Framework

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



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

Group Level	Main Responsibilities
Board of Directors	• To consider and approve the overall plan of the Group's risk management system; • To decide the appointment and dismissal of the person in charge of the Group's risk management; • To review the risk management evaluation report submitted to the general meeting; and • To supervise the risk management responsibilities of the Risk Management Committee and comprehensively manage the Group's risk.
Risk Management Committee	• To review the organization of risk management and its responsibilities plan, and review the basic system of risk management; • To review the Risk Management Operation Manual and its revisions; • To promote risk management and risk assessment, and regularly appoint relevant responsible persons to perform risk assessment; • To review major risk assessment reports and various risk management reports; • To understand the major risks faced by the Group and the current status of risk management, and make effective risk control decisions; • To review major risk management measures, correct and deal with decisions or behaviors made by relevant organizations or individuals that transcend the risk management system; and • Risk management and other major issues.

Group Level	Main Responsibilities
Internal Audit Department, Compliance Management Department, Legal Department	• To promote the construction of a Group-level risk management system; • Responsible for the revision of the Risk Management Operation Manual and submit it to the Risk Management Committee for review; • To organize and coordinate with various departments and hospitals of the headquarters to carry out Group-level major risk identification and assessment, and summarize and analyze the above information to form Group-level major risk assessment reports and various risk management reports, and submit them to the Risk Management Committee and reveal information of major risks at the Group level; • Responsible for managing Group-level risk, researching and proposing relevant measures and plans for Group-level major risk management, and providing professional advice on major risk decisions; • To monitor the main business risks faced by hospitals and the effectiveness of corresponding risk management measures; and • To supervise the cultivation of the Group's overall risk management culture.
Other functional departments of the headquarters, heads and personnel of hospitals	• To cooperate with various risk management departments at the headquarters level to regularly update the risk list and risk assessment of its business; • To formulate the relevant risk response plan of its business and implement the response plan; responsible for the promotion and implementation of specific risk management measures; • To monitor various risks of its business, and report risk information to the Internal Audit Department of the headquarters in a timely manner; and • To handle other related risk management work.

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

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

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

The Company has formulated a whistleblowing policy to develop compliant whistleblowing channels for both internal and external parties that enable the Company's staff, business partners and other informed parties to report conduct compromising the Company's interest. The internal audit department of the Company reports relevant work to the Audit Committee and then reports to the Board on an annual basis.

Anti-corruption

The Group resolutely eradicates all forms of corruption, and explicitly prohibits commercial bribery by formulating relevant internal policies. In November 2021, the National Health Commission, the National Healthcare Security Administration and the National Administration of Traditional Chinese Medicine issued the Notice on Issuing the Nine Principles for the Incorruptible Practice of Staff in Medical Institutions (《關於印發醫療機構工作人員廉潔從業九項準則的通知》). Through formulation of the internal code of conduct and organization of related training courses, the Group requires all employees to practice with integrity, and keep the nine principles in mind and put them into practice. For details, please refer to the 2023 Environmental, Social and Governance Report.

Review of Risk Management and Internal Control for 2023

The Board was responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness twice a year for the periods ended June 30, 2023 and December 31, 2023. Such systems, which covered all important aspects of control, including financial control, operation control and compliance control, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended December 31, 2023, the Board completed the review of the Group's risk management and internal control systems and was satisfied with the results. The Board and management also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting. The Company considers that the training courses and related budgets received by the staff were adequate.

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

The Group has established a comprehensive risk management system and has achieved organic integration with the existing internal control system. Through systematic risk assessment procedures, the Group identified and established a list of risks (including, among others, the financial risks, ESG risk, operations risk, process risk and economic risk) in line with the Company's business conditions and environmental changes, evaluated the likelihood and impact of risks to rank the severity of such impacts on the Group's business, and then formulated risk management measures to control the risks to an acceptable level. Finally, through internal supervision, the Group effectively implemented risk management measures, reflecting the effect of risk management. In respect of the Group's financial risks, the principal risks for operations and the ESG risks and its performance, please refer to the sub-sections headed "Foreign Exchange Risk", "Interest Rate Risk", "Credit Risk" and "Liquidity Risk" under Management Discussion and Analysis as set out on pages 26 to 27 of this annual report and the sub-sections headed "PRINCIPAL RISKS AND UNCERTAINTIES", "ENVIRONMENTAL POLICIES AND PERFORMANCE" and "COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS" under Directors' Report as set out on pages 34 to 35 of this annual report. Please also refer to a separate report "2023 Environmental, Social and Governance Report" for details of the Group's sustainable development and stakeholder engagement.

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

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended December 31, 2023, to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting, to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board concluded that these procedures did not identify any material internal control deficiencies of the Group. The Board considers that the risk management and internal control systems of the Group are effective and adequate.

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

JOINT COMPANY SECRETARIES

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

To uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Mr. Lau Kwok Yin, a vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), as the other joint company secretary to assist Mr. Ren to discharge his duties as company secretary of the Company. The primary corporate contact person of Mr. Lau at the Company is Mr. Ren, the joint company secretary of the Company.

Mr. Lau Kwok Yin (劉國賢), aged 38, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, has over 10 years' experience in corporate secretarial services, finance and bank operations. He holds a bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charter holder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

For the year ended December 31, 2023, the joint company secretaries of the Company have undertaken not less than 15 hours of relevant professional training which in compliant with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company considers that effective communications with its Shareholders and investors are essential for enhancing investor relations and more understanding to the Group's business performance and strategies. The Company endeavors to maintain on-going dialogues with Shareholders and investors through annual general meetings and other general meetings, media meetings, publishing corporate communications such as interim results, annual results, financial reports, announcements, and circulars. Shareholders and investors may make enquiries with the Company through channels as mentioned above and our IR contact. Upon receipt of enquiries from Shareholders, the Company will respond to their questions as soon as practicable, make recommendations to the Board and ratify any defects if applicable.

The Chairman, respective chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or, in their absence, other members of the respective board committees, will make themselves available at the annual general meetings to meet Shareholders, answer their enquiries, and to understand their views.

During the year under review, an annual general meeting of the Company was held on June 28, 2023, at which all the Directors attended either in person or by electronic means to communicate with the Shareholders. In addition, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board reviewed the Company's Shareholders engagement and communication activities conducted in 2023 and was satisfied with the implementation and effectiveness of the Shareholders' communication policy of the Company.

DISSEMINATION OF CORPORATE COMMUNICATIONS

Pursuant to new Rule 2.07A of the Listing Rules and the Articles of Association, the Company will disseminate the future corporate communications of the Company (the "**Corporate Communications**") to its Shareholders electronically and only send Corporate Communications in printed form to the Shareholders upon request.

Details of the arrangements (i) for dissemination of Corporate Communications and (ii) for requesting printed copy of Corporate Communications are published under the section "Investor Relations" in the Company's website (www.hygeia-group.com.cn).

DIVIDEND POLICY

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

In accordance with Article 64 of the Articles of Association, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

Enquiries to the Board

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

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

CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2023, there was no change in the Company's Memorandum and Articles of Association.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Hygeia Healthcare Holding Co., Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 100 to 191, comprise:

- the consolidated statement of comprehensive income for the year ended December 31, 2023;
- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

- Purchase price allocation for business combinations
- Goodwill impairment assessment

Key Audit Matters	How our audit addressed the Key Audit Matters
Purchase price allocation for business combinations	
Refer to Note 4(e) and Note 36 to the consolidated financial statements. During the year ended December 31, 2023, the Group involved in four business combinations. Management has engaged an independent qualified valuer to assist them in identifying intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies or businesses at their respective acquisition dates and, based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in the recognition of intangible assets of RMB67,499,000, mainly representing the medical licenses. Goodwill of approximately RMB1,489,173,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of the identified net assets acquired, was recognised.	We have performed the following procedures to assess this key audit matter: • Understood, evaluated and tested management's key controls in relation to the purchase price allocation for business combinations and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • Assessed the competency, objectivity and independence of the external valuer engaged by management. • Obtained the valuation reports in relation to the acquisitions, and engaged our internal specialist to assess the appropriateness of the valuation methodologies adopted by management and the reasonableness of discount rates used by management.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Significant judgments and estimates were involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations. These significant judgments and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly including forecast growth rate of revenue, gross profit margins, earnings before interest and tax ("EBIT"), discount rates, long-term growth rate and expected useful lives of the identified intangible assets), which are subject to high degree of estimation uncertainty. The inherent risk in relation to the purchase price allocation for business combinations is considered significant due to uncertainty of significant judgments and estimates involved. We consider this area a key audit matter given the magnitude of the identified intangible assets and goodwill recognised arising from the business combinations, and the significant judgments and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations.	• Challenged and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified intangible assts with the involvement of our inhouse valuation expert. For forecast growth rate of revenue, gross profit margins, EBIT and the expected useful lives of the identified intangible assets, we compared these assumptions with the relevant historical data of these acquired companies and market data, where applicable. • Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the identified intangible assets and goodwill. • Checked the mathematical accuracy of the calculations of the fair value of the identified intangible assets and goodwill. • Assessed the adequacy of the disclosures related to business combinations in the consolidated financial statements. We found that the significant judgments and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations were properly supported by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Goodwill impairment assessment	
Refer to Note 4(a) and Note 14 to the consolidated financial statements. As at December 31, 2023, the balance of goodwill of the Group amounted to approximately RMB3,724,449,000, which accounted for approximately 34.7% of the total assets of the Group. Goodwill mainly arose from the Group's business combination activities. For the purposes of goodwill impairment assessment, management considered each of the acquired target companies or groups as a separate cash-generated-unit ("CGU") and goodwill has been allocated to each of the CGUs. Management is required to perform impairment assessment of the goodwill balance annually or whenever there is an indication that goodwill may be impaired. To assess the impairment, management used value-in-use approach based on the discounted cash flow model to determine the recoverable amounts of the CGU which involve judgments and estimates that are subject to high degree of estimation uncertainty. The inherent risk in relation to goodwill impairment assessment is considered relatively higher due to the uncertainty of significant assumptions used, including forecast growth rate of revenue, cost and operating expenses as percentage of revenue, long-term growth rate and discount rate. Based on the result of assessment, management has concluded that no impairment provision was required as at 31 December 2023.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested management's key controls in relation to the goodwill impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • Assessed the appropriateness of the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policies and our understanding of the Group's business. • Obtained management's assessment on goodwill impairment and engaged our internal specialist to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rate used by management. • Challenged and assessed the reasonableness of the key assumptions used in the value-in-use calculation. For the forecast growth rate of revenue and cost and operating expenses as percentage of revenue, we compared them with the relevant historical data and market data, where applicable; for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research. • Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
We consider this area a key audit matter due to the significance of the goodwill balance and the involvement of significant judgments and estimates by management in preparation of the goodwill impairment assessment, which in turn led to higher degree of auditor's judgments and significant audit efforts in evaluating the audit evidence related to the goodwill impairment assessment.	• Evaluated the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount. • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. • Assessed the adequacy of the disclosures related to goodwill impairment assessment in the consolidated financial statements. We found that the significant judgments and estimates involved in the goodwill impairment assessment were properly supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 26, 2024

Consolidated Statement of Comprehensive Income

	Notes	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	*5*	**4,076,680**	3,195,648
Cost of revenue	*8*	**(2,790,428)**	(2,167,095)
Gross profit		**1,286,252**	1,028,553
Selling expenses	*8*	**(50,567)**	(26,091)
Administrative expenses	*8*	**(412,183)**	(296,927)
Other income	*6*	**50,674**	21,336
Other gains/(losses) -net	*7*	**14,928**	(60,050)
Operating profit		**889,104**	666,821
Finance income	*10*	**10,153**	17,318
Finance costs	*10*	**(43,170)**	(40,828)
Finance costs — net		**(33,017)**	(23,510)
Profit before income tax		**856,087**	643,311
Income tax expense	*11*	**(171,139)**	(161,435)
Profit and total comprehensive income for the year		**684,948**	481,876
Profit and total comprehensive income attributable to			
— Owners of the Company		**682,928**	476,784
— Non-controlling interests		**2,020**	5,092
Earnings per share (expressed in RMB per share)			
— Basic earnings per share (in RMB)	*12*	**1.08**	0.77
— Diluted earnings per share (in RMB)	*12*	**1.08**	0.77

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

Consolidated Statement of Financial Position

	Notes	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**4,630,468**	2,998,903
Intangible assets	14	**3,945,827**	2,383,850
Prepayments for non-current assets	20	**138,790**	78,544
Deferred income tax assets	15	**43,888**	31,174
Total non-current assets		**8,758,973**	5,492,471
Current assets			
Inventories	16	**207,942**	153,859
Trade, other receivables and prepayments	20	**979,396**	694,293
Amounts due from related parties	33	**20,255**	16,608
Financial assets at fair value through profit or loss	18	**206,151**	30,946
Restricted cash	19	**12,104**	—
Cash and cash equivalents	19	**549,742**	853,768
Total current assets		**1,975,590**	1,749,474
Total assets		**10,734,563**	7,241,945
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	21	**7,634,348**	7,047,087
Other reserves	22	**(2,805,189)**	(2,851,903)
Retained earnings	23	**1,404,037**	738,573
		6,233,196	4,933,757
Non-controlling interests		**21,678**	6,306
Total equity		**6,254,874**	4,940,063

Consolidated Statement of Financial Position

		As at December 31,	
	Notes	2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	2,318,992	1,102,860
Deferred income tax liabilities	15	168,409	126,982
Deferred revenue	25	36,084	34,573
Lease liabilities	26	2,437	3,128
Other non-current liabilities	27	9,620	8,308
Total non-current liabilities		2,535,542	1,275,851
Current liabilities			
Trade and other payables	29	1,410,054	740,847
Contract liabilities	30	54,258	29,204
Current income tax liabilities		76,677	72,850
Lease liabilities	26	793	2,727
Borrowings	24	402,365	180,403
Total current liabilities		1,944,147	1,026,031
Total liabilities		4,479,689	2,301,882
Total equity and liabilities		10,734,563	7,241,945

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

The consolidated financial statements on pages 100 to 191 were approved by the board of directors (the "Board") on March 26, 2024 and were signed on its behalf.

Zhu Yiwen
Director

Ren Ai
Director

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company					
		Share capital and premium RMB'000 (Note 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2023		7,047,087	(2,851,903)	738,573	4,933,757	6,306	4,940,063
Comprehensive income							
Profit for the year		–	–	682,928	682,928	2,020	684,948
Total comprehensive income for the year		–	–	682,928	682,928	2,020	684,948
Transactions with owners in their capacity as owners							
Issue of shares upon placing	21	681,740	–	–	681,740	–	681,740
Share-based compensation	28	–	29,250	–	29,250	–	29,250
Dividends		(94,479)	–	–	(94,479)	–	(94,479)
Transfer to statutory reserves	23	–	17,464	(17,464)	–	–	–
Non-controlling interests arising from business combination	36	–	–	–	–	13,352	13,352
Total transactions with owners in their capacity as owners		587,261	46,714	(17,464)	616,511	13,352	629,863
Balance at December 31, 2023		7,634,348	(2,805,189)	1,404,037	6,233,196	21,678	6,254,874

	Attributable to owners of the Company					
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2022	7,082,915	(2,929,602)	303,141	4,456,454	21,258	4,477,712
Comprehensive income						
Profit for the year	–	–	476,784	476,784	5,092	481,876
Total comprehensive income for the year	–	–	476,784	476,784	5,092	481,876
Transactions with owners in their capacity as owners						
Acquired additional shares of subsidiaries	–	(1,738)	–	(1,738)	(20,044)	(21,782)
Share-based compensation	–	38,085	–	38,085	–	38,085
Transfer to statutory reserves	–	41,352	(41,352)	–	–	–
Repurchase of ordinary shares	(35,828)	–	–	(35,828)	–	(35,828)
Total transactions with owners in their capacity as owners	(35,828)	77,699	(41,352)	519	(20,044)	(19,525)
Balance at December 31, 2022	7,047,087	(2,851,903)	738,573	4,933,757	6,306	4,940,063

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

Consolidated Statement of Cash Flows

		Year ended December 31,	
	Notes	**2023** **RMB'000**	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**926,439**	813,145
Interest received		**10,153**	17,318
Income tax paid		**(153,752)**	(145,085)
Net cash generated from operating activities		**782,840**	685,378
Cash flows from investing activities			
Purchases of property, plant and equipment		**(925,678)**	(593,121)
Proceeds from disposal of property, plant and equipment and intangible assets	32(b)	**15,234**	12,589
Purchases of intangible assets		**(15,140)**	(13,783)
Payments for acquisition of subsidiaries, net of cash acquired	32(e)	**(1,766,143)**	(146,591)
Payments for purchases of financial assets at fair value through profit or loss	3.3	**(1,599,131)**	(348,156)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3	**1,439,488**	717,002
Increase in restricted cash	19	**(12,104)**	—
Net cash used in investing activities		**(2,863,474)**	(372,060)
Cash flows from financing activities			
Proceeds from issue of shares upon placing	21	**681,740**	—
Borrowing interest paid		**(79,850)**	(54,456)
Repayments of bank borrowings	32(c)	**(1,288,281)**	(421,193)
Proceeds from bank borrowings	32(c)	**2,559,308**	393,504
Payments of lease liabilities, including interest	32(c)	**(3,182)**	(2,615)
Payments for repurchase of ordinary shares		**—**	(35,828)
Dividends paid to the Company's shareholders		**(94,479)**	—
Payments for acquisition of additional shares of subsidiaries		**—**	(33,618)
Net cash generated/(used) from financing activities		**1,775,256**	(154,206)
Net (decrease)/increase in cash and cash equivalents		**(305,378)**	159,112
Effect on exchange rate difference		**1,352**	(12,413)
Cash and cash equivalents at beginning of the year		**853,768**	707,069
Cash and cash equivalents at end of the year	19	**549,742**	853,768

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

(ii) Other Business including:

(a) Provision of radiotherapy services 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.

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

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

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

2 BASIS OF PREPARATION

(i) Compliance with IFRS Accounting Standards ("IFRS") and the disclosure requirements of Hong Kong Companies Ordinance Cap.622 ("HKCO")

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

(ii) Historical cost convention

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

2 BASIS OF PREPARATION (CONTINUED)

(iii) Amendments and interpretations to IFRS effective for the financial year beginning on or after January 1, 2023 but do not have a material impact on the Group

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

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

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

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations. According to the preliminary assessment made by the directors, these amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Market risk

(i) Foreign exchange risk

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Assets		
USD	**948**	21,614
HKD	**211**	252
	1,159	21,866
Liabilities		
USD	**–**	696,460

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at December 31, 2023, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the year would have been approximately RMB47,000 lower/higher (December 31, 2022: approximately RMB33,742,000 higher/lower).

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses) included in other gains/(losses) *(Note 7)*	**11,095**	(70,885)
Exchange losses on foreign currency borrowing included in finance costs	**–**	(5,947)
Total net foreign exchange gains/(losses) recognised in profit before income tax for the period	**11,095**	(76,832)

(ii) Cash flow and fair value interest rate risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

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

	As at December 31, 2023		As at December 31, 2022	
	RMB'000	% of total borrowings	RMB'000	% of total borrowings
Floating-rate bank borrowings	1,492,639	55%	930,836	73%
Fixed-rate bank borrowings				
– repricing or maturity dates:				
– Within 1 year	270,403	10%	153,301	12%
– Between 1 and 2 years	88,867	3%	188,758	14%
– Between 2 and 5 years	636,206	23%	10,368	1%
– Over 5 years	233,242	9%	–	0%
	2,721,357	100%	1,283,263	100%

For the year ended December 31, 2023, if the floating interest rates on borrowings had been higher/lower by 50 basis points with all other variables held constant, the pre-tax profit would have been approximately RMB7,463,000 lower/higher (2022: approximately RMB4,654,000 lower/higher), mainly as a result of higher/lower interest expenses on floating-rate borrowings.

(iii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, financial assets at FVPL, trade and other receivables and amounts due from related parties. 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.

(i) Risk management and security

To manage this risk, financial assets at FVPL, cash and cash equivalents and restricted cash are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Impairment of financial asset

Trade receivables

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

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

The directors of the Company assess the expected credit loss rate and assume that trade receivables will experience loss when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and indicator(s) of severe financial difficulty. The directors of the Company considered that the expected credit loss of trade receivables is immaterial.

Other receivables and amount due from related parties

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

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Impairment of financial asset (Continued)

Other receivables and amount due from related parties (Continued)

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. As at December 31, 2023, the Group held committed bank facilities of approximately RMB717,714,000 (not yet utilised) which, if necessary, can readily generate cash inflows for managing the Group's liquidity risk. Due to the dynamic nature of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain flexibility in funding by maintaining the availability of committed credit facilities.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Trade and other payables excluding non-financial liabilities	997,306	–	–	–	997,306	997,306
Lease liabilities	971	941	1,752	–	3,664	3,230
Borrowings	449,310	299,558	1,908,686	247,736	2,905,290	2,721,357
Total	1,447,587	300,499	1,910,438	247,736	3,906,260	3,721,893
As at December 31, 2022						
Trade and other payables excluding non-financial liabilities	507,823	–	–	–	507,823	507,823
Lease liabilities	2,962	965	2,270	311	6,508	5,855
Borrowings	244,584	978,801	178,639	–	1,402,024	1,283,263
Total	755,369	979,766	180,909	311	1,916,355	1,796,941

3.2 Capital management

(a) Risk management

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

(a) Risk management (Continued)

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net Debt	**2,162,741**	435,350
Total equity	**6,254,874**	4,940,063
Gearing ratio	**35%**	9%

The gearing ratio increased from 9% to 35% as a result of the business combinations (Note 36) that occurred during the year, which resulted in the payment of significant purchase consideration, as well as an increase of bank borrowings in connection with the acquisitions.

(b) Loan covenants

Under the terms of the Group's major bank loans, which have a total carrying amount of approximately RMB1,752,008,000 (December 31, 2022: approximately RMB1,170,519,000), the Group or specific subsidiaries are required to comply with the certain financial covenants at the end of each annual reporting year. The Group has complied with the financial covenants of its borrowings during the year ended December 31, 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

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

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

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

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

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

There were no changes in valuation techniques during the years ended December 31, 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

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

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

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Balance at beginning of the year	**30,946**	397,400
Additions	**1,599,131**	348,156
Changes in fair value	**15,562**	2,392
Disposals	**(1,439,488)**	(717,002)
Balance at end of the year	**206,151**	30,946

The unobservable inputs of wealth management products and structured deposit products are expected return rates and discounted rates. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rates of the investments in wealth management products and structured deposit products with floating rate range from 1.7% to 2.8% for the year ended December 31, 2023 (2022: from 1.1% to 3.7%). If the fair value of financial assets at FVPL held by the Group had been 1% higher/lower, the pre-tax profit for the year ended December 31, 2023 would have been approximately increase/decrease RMB2,062,000 (December 31, 2022: approximately RMB309,000).

The carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash, amounts due from related parties, trade and other receivables, as well as current financial liabilities, including current bank borrowings and trade and other payables approximate their fair values due to their short maturities. The carrying amounts of non-current bank borrowings approximate their fair values, as the impact of discounting is not significant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Impairment assessment of goodwill

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Current and deferred income taxes

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

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

(d) Share-based compensation expenses

As disclosed in Note 28, the Company has granted share options to the Group's employees. The management has used the binomial option pricing model to determine the total fair value of the awarded options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the expected volatility, expected exercise multiple, and risk-free interest rate, is required to be made by the management in applying the binomial option pricing model. The management applies judgments and estimates, such as employee performance, employee forfeiture rate and achievement of performance and service conditions, in determining share-based payment expenses each period.

(e) Business combination

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

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial information is 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 makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Hospital Business; and

- Other Business.

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

The following items are not allocated to individual operating segments:

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

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Year ended December 31, 2023			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	3,890,293	186,387	–	4,076,680
Cost of revenue	(2,711,134)	(79,294)	–	(2,790,428)
Gross profit	1,179,159	107,093	–	1,286,252
Selling expenses	(50,567)	–	–	(50,567)
Administrative expenses	(341,327)	(12,630)	(58,226)	(412,183)
Other income	46,418	4,119	137	50,674
Other (losses)/gains — net	(7,181)	(3,737)	25,846	14,928
Segment profit	826,502	94,845	(32,243)	889,104
Finance income				10,153
Finance costs				(43,170)
Finance costs — net				(33,017)
Profit before income tax				856,087
As at December 31, 2023				
Assets				
Segment Assets	9,829,881	181,763	679,031	10,690,675
Deferred income tax assets				43,888
Total Assets				10,734,563
Liabilities				
Segment Liabilities	3,984,947	236,216	90,117	4,311,280
Deferred income tax liabilities				168,409
Total Liabilities				4,479,689
Other segment information				
Depreciation of property, plant, and equipment	179,493	12,139	2,453	194,085
Amortisation of intangible assets	14,477	698	1,282	16,457
Additions of non-current assets except for deferred income tax assets	3,455,114	30,819	2,641	3,488,574

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Year ended December 31, 2022			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	3,027,260	168,388	—	3,195,648
Cost of revenue	(2,097,555)	(69,540)	—	(2,167,095)
Gross profit	929,705	98,848	—	1,028,553
Selling expenses	(26,091)	—	—	(26,091)
Administrative expenses	(227,873)	(13,635)	(55,419)	(296,927)
Other income	16,301	4,931	104	21,336
Other gains/(losses) — net	8,876	(218)	(68,708)	(60,050)
Segment profit	700,918	89,926	(124,023)	666,821
Finance income				17,318
Finance costs				(40,828)
Finance costs — net				(23,510)
Profit before income tax				643,311
As at December 31, 2022				
Assets				
Segment Assets	6,234,721	176,417	799,633	7,210,771
Deferred income tax assets				31,174
Total Assets				7,241,945
Liabilities				
Segment Liabilities	1,968,218	173,375	33,307	2,174,900
Deferred income tax liabilities				126,982
Total Liabilities				2,301,882
Other segment information				
Depreciation of property, plant, and equipment	127,511	12,285	2,302	142,098
Amortisation of intangible assets	9,831	698	554	11,083
Additions of non-current assets except for deferred income tax assets	660,436	15,847	5,807	682,090

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business line and nature:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Hospital Business		
— Outpatient services	**1,351,356**	1,097,754
— Inpatient services	**2,538,937**	1,929,506
Other Business	**186,387**	168,388
Total revenue	**4,076,680**	3,195,648
Including revenue from contracts with customers	**4,038,705**	3,144,566

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
— Inpatient services	**180,605**	132,249
— Other Business	**77,556**	86,284
Over time	**258,161**	218,533
— Inpatient services	**2,358,332**	1,797,257
— Outpatient services	**1,351,356**	1,097,754
— Other Business	**70,856**	31,022
At a point in time	**3,780,544**	2,926,033
Revenue from contracts with customers	**4,038,705**	3,144,566

(c) Geographical information

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

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues for the years end December 31, 2023 and 2022.

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(e) Accounting policies for revenue recognition

The Group operates two types of business, namely:

- Hospital Business; and
- Other Business.

Revenue is measured at the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales between the Group companies. The Group recognises revenue when it transfers control of the goods or render services to a customer.

Hospital Business:

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

(i) Outpatient services

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(e) Accounting policies for revenue recognition (Continued)

Hospital Business: (Continued)

(ii) Inpatient services

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

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

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

Other Business:

Other business includes radiotherapy center service, radiotherapy equipment leases, radiotherapy equipment sales, radiotherapy equipment disposal service, radiotherapy equipment post-sales repair and maintenance service, hospital management services and sales of pharmaceutical, medical consumables and medical equipment to third parties.

(i) Radiotherapy center service

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(e) Accounting policies for revenue recognition (Continued)

Other Business: (Continued)

(ii) Radiotherapy equipment leases

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

(iii) Radiotherapy equipment sales

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

(iv) Radiotherapy equipment disposal service

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

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

The Group also provides radiotherapy equipment post-sales repair and maintenance service for a fixed fee. Revenue from radiotherapy equipment post-sales repair and maintenance service is recognised evenly over the service period as specified in the contracts.

(vi) Hospital management services

The Group provides the management related services to other hospitals, usually over a service period of 40 years. The hospital receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from provision of trustee hospital management services is recognised over the period in which the services are rendered.

For revenue from trustee hospital management services, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the trustee hospital's revenue.

(vii) Sales of pharmaceutical, medical consumables and medical equipment

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

6 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Government grants *(i)*	**42,917**	19,631
Others	**7,757**	1,705
	50,674	21,336

(i) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

7 OTHER GAINS/(LOSSES) — NET

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses)	**11,095**	(70,885)
Realised and unrealised gains on financial assets at FVPL	**15,562**	2,392
Losses on disposal of property, plant and equipment, and intangible assets	**(4,829)**	(454)
Others	**(6,900)**	8,897
	14,928	(60,050)

8 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 9)*	**1,335,866**	1,049,765
Cost of pharmaceutical, medical consumables and other inventories	**1,241,409**	893,951
Depreciation and amortisation	**210,542**	153,181
Consultancy and professional service fees	**109,479**	108,052
Utilities, cleaning and afforestation expenses	**92,952**	72,037
Radiotherapy service fees	**81,523**	83,752
Travelling, entertainment, vehicle and office expenses	**51,834**	33,002
Taxation expenses	**30,038**	18,579
Repair and maintenance expenses	**19,377**	11,485
Marketing and promotion expenses	**18,576**	6,881
Auditor's remuneration		
— Audit services	**3,600**	3,500
Rental expenses *(Note 26)*	**1,872**	2,002
Other expenses	**56,110**	53,926
	3,253,178	2,490,113

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**1,156,664**	905,684
Employer's contribution to retirement benefit plan *(i)*	**76,328**	45,849
Allowances and benefits in kind	**73,624**	60,147
Share-based compensation expenses	**29,250**	38,085
	1,335,866	1,049,765

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Employee benefit expenses are analysed as follows: (Continued)

***(i)* The Group has participated in:**

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

A subsidiary of the Group operates a supplementary defined contribution retirement benefit plan (the "Corporate Pension Plan"). Under the Corporate Pension Plan, the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contribution was utilised during the year ended December 31, 2023 (December 31, 2022: no forfeiture) and leaving RMB273,800 available at December 31, 2023 to reduce future contribution. As at December 31, 2023, no contribution was payable to the Corporate Pension Plan (December 31, 2022: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2023 include three (December 31, 2022: three) directors whose emoluments are reflected in the analysis shown in Note 39(a). The emoluments payable to the remaining two (December 31, 2022: two) individuals during the year are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries and wages	**2,111**	2,449
Bonuses	**1,598**	1,173
Employer's contribution to retirement benefit plan	**68**	119
Allowances and benefits in kind	**95**	132
Share-based compensation expenses	**731**	769
	4,603	4,642

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

Number of individuals

	Year ended December 31,	
	2023	2022
HKD		
2,000,000–2,500,000	**1**	1
2,500,001–3,000,000	**1**	1
	2	2

During the years ended December 31, 2023 and 2022, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS — NET

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income of bank savings	**10,153**	17,318
Finance costs		
Interest expense on borrowings	**(74,348)**	(50,117)
Interest expense on lease liabilities	**(238)**	(158)
Net exchange losses on foreign currency borrowings	**—**	(5,947)
	(74,586)	(56,222)
Amount capitalised *(i)*	**31,416**	15,394
Finance costs expensed	**(43,170)**	(40,828)
Finance costs — net	**(33,017)**	(23,510)

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 4.20% (2022: 4.08%).

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**158,951**	163,087
Deferred income tax *(Note 15)*	**12,188**	(1,652)
	171,139	161,435

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

The Company's subsidiaries, Chongqing Hygeia Hospital Co., Ltd. ("Chongqing Hygeia Hospital"), Hezhou Guangji Hospital, Kaiyuan Jiehua Hospital Co., Ltd, Qihai (Chongqing) Pharmaceutical Co., Ltd. and Chang'an Hospital Co., Ltd. ("Chang'an Hospital") 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 and such entities are subject to a tax concession rate of 15% for the years ended December 31, 2023 and 2022.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

PRC corporate income tax ("CIT") (Continued)

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, renewed on November 15, 2023). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% for the years ended December 31, 2023 and 2022. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech will qualify as a "High and New Technology Enterprise" after the expire date and thus will further be subjected to a 15% preferential tax rate.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at December 31, 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 RMB1,767,972,000 (December 31, 2022: approximately 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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**856,087**	643,311
Tax calculated at applicable statutory tax rate of 25%	**214,022**	160,828
Effect of different tax rates	**(50,817)**	(10,254)
Items not deductible for tax purposes	**9,749**	12,739
Additional deduction on research and development expenses	**(1,815)**	(1,878)
	171,139	161,435

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2023 and 2022.

	Year ended December 31,	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	**682,928**	476,784
Weighted average number of shares in issue	**631,118,721**	616,820,507
Basic earnings per share (in RMB)	**1.08**	0.77

(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 granted share options to employees (Note 28). For the years ended December 31, 2023 and 2022, the outstanding share options issued under the Company's share option scheme are dilutive potential ordinary shares. During the year ended December 31, 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 years ended December 31, 2023 and 2022 are the same as basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Right-of-use for properties	Right-of-use for lands	Medical equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022									
Cost	957,820	7,666	599,715	654,618	16,224	65,452	28,489	552,130	2,882,114
Accumulated depreciation	(82,472)	(6,927)	(36,558)	(196,028)	(5,799)	(29,595)	(7,591)	–	(364,970)
Closing net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Year ended December 31, 2022									
Opening net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Additions	–	7,504	12,972	123,651	411	23,924	9,996	461,387	639,845
Transfers upon completion	406,273	–	–	101,597	–	–	5,670	(513,540)	–
Disposals	(695)	–	(315)	(10,656)	(15)	(1,360)	(2)	–	(13,043)
Depreciation	(26,391)	(2,082)	(12,309)	(80,248)	(3,565)	(13,372)	(7,076)	–	(145,043)
Closing net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
At December 31, 2022									
Cost	1,363,036	15,170	612,373	852,145	16,461	87,927	44,154	499,977	3,491,243
Accumulated depreciation	(108,501)	(9,009)	(48,868)	(259,211)	(9,205)	(42,878)	(14,668)	–	(492,340)
Closing net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
Year ended December 31, 2023									
Opening net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
Additions	–	318	110,698	188,302	2,115	22,791	18,750	639,116	982,090
Acquisition of subsidiaries	522,809	–	110,174	185,613	600	5,391	20,183	23,032	867,802
Transfers upon completion	441,875	–	–	36,856	–	–	4,725	(483,456)	–
Disposals	(624)	–	–	(19,317)	–	(122)	–	–	(20,063)
Depreciation	(40,805)	(2,727)	(16,573)	(106,408)	(2,906)	(17,265)	(11,580)	–	(198,264)
Closing net book amount	2,177,790	3,752	767,804	877,980	7,065	55,844	61,564	678,669	4,630,468
At December 31, 2023									
Cost	2,326,991	15,488	833,245	1,215,548	19,176	114,660	87,812	678,669	5,291,589
Accumulated depreciation	(149,201)	(11,736)	(65,441)	(337,568)	(12,111)	(58,816)	(26,248)	–	(661,121)
Closing net book amount	2,177,790	3,752	767,804	877,980	7,065	55,844	61,564	678,669	4,630,468

The Group's bank borrowings as at December 31, 2023 of approximately RMB785,748,000 (December 31, 2022: approximately RMB219,112,000) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of approximately RMB751,882,000 (2022: approximately RMB358,926,000).

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	Shorter of the term of remaining title to the land or estimated useful life
Medical equipment	5–10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years
Right-of-use for properties	2–10 years
Right-of-use for lands	Shorter of remaining lease term or estimated useful life
Leasehold improvements	Shorter of remaining lease term or estimated useful life

See Note 41.3 for the other accounting policies relevant to property, plant and equipment.

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated statements of comprehensive income and consolidated statement of financial position as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cost of revenue	**135,576**	98,460
Administrative expenses	**58,509**	43,638
Capitalisation	**4,179**	2,945
	198,264	145,043

14 INTANGIBLE ASSETS

	Goodwill *RMB'000*	Software *RMB'000*	Contractual rights to provide management services *RMB'000*	Medical licenses *RMB'000*	Total *RMB'000*
At January 1, 2022:					
Cost	2,235,276	26,890	27,920	115,899	2,405,985
Accumulated amortisation	–	(9,774)	(7,329)	(7,732)	(24,835)
Net book amount	2,235,276	17,116	20,591	108,167	2,381,150
Year ended December 31, 2022:					
Opening net book amount	2,235,276	17,116	20,591	108,167	2,381,150
Additions	–	13,783	–	–	13,783
Amortisation	–	(6,130)	(698)	(4,255)	(11,083)
Net book amount	2,235,276	24,769	19,893	103,912	2,383,850
At December 31, 2022:					
Cost	2,235,276	40,673	27,920	115,899	2,419,768
Accumulated amortisation	–	(15,904)	(8,027)	(11,987)	(35,918)
Net book amount	2,235,276	24,769	19,893	103,912	2,383,850
Year ended December 31, 2023:					
Opening net book amount	**2,235,276**	**24,769**	**19,893**	**103,912**	**2,383,850**
Additions	**–**	**15,140**	**–**	**–**	**15,140**
Acquisition of subsidiaries	**1,489,173**	**6,622**	**–**	**67,499**	**1,563,294**
Amortisation	**–**	**(10,685)**	**(698)**	**(5,074)**	**(16,457)**
Net book amount	**3,724,449**	**35,846**	**19,195**	**166,337**	**3,945,827**
At December 31, 2023:					
Cost	**3,724,449**	**62,435**	**27,920**	**183,398**	**3,998,202**
Accumulated amortisation	**–**	**(26,589)**	**(8,725)**	**(17,061)**	**(52,375)**
Net book amount	**3,724,449**	**35,846**	**19,195**	**166,337**	**3,945,827**

14 INTANGIBLE ASSETS (CONTINUED)

(a) Accounting policy for goodwill and impairments

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the individual hospital.

(b) Impairment test for goodwill

Goodwill arose from the acquisition of hospitals through business combinations as below:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Etern Group Ltd. ("Etern Group")	**1,449,056**	1,449,056
Datang Healthcare Corporation Limited ("Datang HK") and Chang'an Hospital	**1,280,469**	—
Hezhou Guangji Hospital	**485,882**	485,882
Longyan Boai Hospital Co., Ltd. ("Longyan Boai Hospital")	**186,019**	186,019
Yixing Hygeia Hospital Co., Ltd. ("Yixing Hygeia Hospital")	**157,857**	—
Suzhou Canglang Hospital Co., Ltd. ("Suzhou Canglang Hospital")	**104,607**	104,607
Others	**60,559**	9,712
Total	**3,724,449**	2,235,276

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

For Etern Group, Datang HK and Chang'an Hospital, Hezhou Guangji Hospital, Longyan Boai Hospital, Yixing Hygeia Hospital, and Suzhou Canglang Hospital with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at December 31, 2023 and 2022 are as follows:

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for goodwill (Continued)

Etern Group

	As at December 31,	
	2023	2022
Forecast growth rate of revenue	**16%–5%**	28%–5%
Cost and operating expenses as percentage of revenue	**74%**	75%
Long-term growth rate	**2.5%**	3%
Pre-tax discount rate	**19.93%**	20.30%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**301,047**	257,446

Datang HK and Chang'an Hospital

	As at December 31,	
	2023	2022
Forecast growth rate of revenue	**16%–5%**	N/A
Cost and operating expenses as percentage of revenue	**79%**	N/A
Long-term growth rate	**2.5%**	N/A
Pre-tax discount rate	**18.21%**	N/A
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**430,267**	N/A

Hezhou Guangji Hospital

	As at December 31,	
	2023	2022
Forecast growth rate of revenue	**10%–3%**	17%–4%
Cost and operating expenses as percentage of revenue	**74%**	75%
Long-term growth rate	**2.5%**	3%
Pre-tax discount rate	**17.94%**	18.37%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**186,009**	231,498

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for goodwill (Continued)

Longyan Boai Hospital

	As at December 31,	
	2023	2022
Forecast growth rate of revenue	**8%–3%**	15%–3%
Cost and operating expenses as percentage of revenue	**77%**	76%
Long-term growth rate	**2.5%**	3%
Pre-tax discount rate	**20.93%**	20.69%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**134,735**	164,783

Yixing Hygeia Hospital

	As at December 31,	
	2023	2022
Forecast growth rate of revenue	**20%–5%**	N/A
Cost and operating expenses as percentage of revenue	**81%**	N/A
Long-term growth rate	**2.5%**	N/A
Pre-tax discount rate	**19.40%**	N/A
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**128,410**	N/A

Suzhou Canglang Hospital

	As at December 31,	
	2023	2022
Forecast growth rate of revenue	**5%–3%**	10%–3%
Cost and operating expenses as percentage of revenue	**78%**	78%
Long-term growth rate	**2.5%**	3%
Pre-tax discount rate	**20.78%**	20.62%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**531,426**	544,246

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for goodwill (Continued)

Forecast growth rate of revenue is for the five-year forecast period. It is based on past performance and the management's expectations of market development.

The cost and operating expenses as percentage of revenue is the average percentages over the five-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future price rises in labor, rental and relevant equipment.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Based on management's assessment on the recoverable amounts of the subsidiaries or group acquired, no impairment provision was considered necessary as at December 31, 2023.

As at December 31, 2023, analysis has been performed by the management of the Group on the reasonably possible changes in each of the following key assumptions, with all other variables held constant, of goodwill impairment tests of the CGUs above:

- Forecast growth rate of revenue decrease by three percentage points;
- Cost and operating expenses as percentage of revenue increase by three percentage points; and
- Pre-tax discount rate increase by one percentage point.

Based on the results of the analysis, reasonably possible changes in the above key assumptions would not cause the above CGUs' carrying amount to exceed their recoverable amount as at December 31, 2023.

(c) Amortisation and impairment test for contractual rights to provide management services

The net book amount of contractual rights to provide management services as at December 31, 2022 and 2023 are as below:

	Handan Renhe Hospital *RMB'000*
As at December 31, 2022	19,893
As at December 31, 2023	**19,195**

14 INTANGIBLE ASSETS (CONTINUED)

(c) Amortisation and impairment test for contractual rights to provide management services (Continued)

In July 2011, the Group entered into hospital management agreements with Handan Renhe Hospital. Pursuant to the agreement, the Group provides management services to the hospital for a period of 40 years. The contractual rights to provide management services are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives of 40 years.

The assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on management's assessment, no material adverse indication shows that the contractual rights have suffered any impairment during the year ended December 31, 2023.

(d) Amortisation

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Medical license	30 years
Contractual rights to provide management services	40 years
Software	5 years

See Note 41.4 for the other accounting policies relevant to intangible assets.

Amortisation of the Group's intangible assets has been recognised in the consolidated statements of comprehensive income as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cost of revenue	**5,772**	5,902
Administrative expenses	**10,685**	5,181
	16,457	11,083

15 DEFERRED INCOME TAX

	As at December 31, 2023 RMB'000	2022 RMB'000
Deferred tax assets		
— to be realised within 12 months	**24,428**	21,828
— to be realised after more than 12 months	**49,136**	39,247
	73,564	61,075
Deferred tax liabilities		
— to be realised within 12 months	**13,058**	12,335
— to be realised after more than 12 months	**185,027**	144,548
	198,085	156,883

(a) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31, 2023 RMB'000	2022 RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**53,643**	38,586
Provisions	**6,221**	8,379
Unrealised profits of intra-group transaction	**13,700**	14,110
Total deferred tax assets	**73,564**	61,075
Set-off of deferred tax liabilities pursuant to set-off provisions	**(29,676)**	(29,901)
Net deferred tax assets	**43,888**	31,174

	Tax losses RMB'000	Provisions RMB'000	Unrealised profits of intra-group transaction RMB'000	Total RMB'000
As at January 1, 2022	15,289	6,877	2,074	24,240
Credit to profit or loss	23,297	1,502	12,036	36,835
As at December 31, 2022	38,586	8,379	14,110	61,075
As at January 1, 2023	**38,586**	**8,379**	**14,110**	**61,075**
Acquisition of subsidiaries	**1,892**	**1,215**	**–**	**3,107**
Credit/(charged) to profit or loss	**13,165**	**(3,373)**	**(410)**	**9,382**
As at December 31, 2023	**53,643**	**6,221**	**13,700**	**73,564**

15 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Intangible assets	**34,643**	22,683
Property, plant and equipment	**163,442**	134,200
Total deferred tax liabilities	**198,085**	156,883
Set-off of deferred tax assets pursuant to set-off provisions	**(29,676)**	(29,901)
Net deferred tax liabilities	**168,409**	126,982

Movements	**Property, plant and equipment**	**Intangible assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2022	98,075	23,625	121,700
Charged/(credit) to profit or loss	36,125	(942)	35,183
At December 31, 2022	134,200	22,683	156,883
At January 1, 2023	**134,200**	**22,683**	**156,883**
Acquisition of subsidiaries	**6,567**	**13,065**	**19,632**
Charged/(credit) to profit or loss	**22,675**	**(1,105)**	**21,570**
At December 31, 2023	**163,442**	**34,643**	**198,085**

16 INVENTORIES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Pharmaceuticals	**144,030**	98,551
Medical consumables	**51,661**	50,670
Spare parts	**12,251**	4,638
	207,942	153,859

For the year ended December 31, 2023, the cost of inventories recognised as expense and included in "Cost of revenue" amounted to approximately RMB1,241,409,000 (2022: approximately RMB893,951,000).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents *(Note 19)*	**549,742**	853,768
Restricted cash *(Note 19)*	**12,104**	—
Amounts due from related parties *(Note 33)*	**20,255**	16,608
Trade and other receivables excluding non-financial assets	**907,862**	643,966
	1,489,963	1,514,342
Financial assets at fair value through profit or loss *(Note 18)*	**206,151**	30,946
	1,696,114	1,545,288
Financial liabilities		
Liabilities at amortised cost:		
Borrowings *(Note 24)*	**2,721,357**	1,283,263
Trade and other payables excluding non-financial liabilities	**997,306**	507,823
Lease liabilities *(Note 26)*	**3,230**	5,855
	3,721,893	1,796,941

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Structured deposit products	**100,024**	—
Wealth management products	**106,127**	30,946
	206,151	30,946

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

The structured deposit products and wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 1.7% to 2.8% per annum for the year ended December 31, 2023 (2022: from 1.1% to 3.7%).

19 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank and on hand	**561,846**	853,768
Less: restricted cash *(i)*	**(12,104)**	—
Cash and cash equivalents	**549,742**	853,768

(i) These deposits are subject to regulatory restrictions for guarantee of construction in progress and are therefore not available for general use by entities within the Group.

Cash and cash equivalents were denominated in the following currencies:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
RMB	**548,583**	831,902
USD	**948**	21,614
HKD	**211**	252
	549,742	853,768

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Included in current assets		
Trade receivables *(i)*	**863,969**	594,614
Other receivables		
— Deposits receivables	**15,850**	31,021
— Others	**28,043**	18,331
	43,893	49,352
Prepayments to suppliers	**71,534**	50,327
	979,396	694,293
Included in non-current assets		
Prepayments for property, plant and equipment	**138,790**	78,544
	1,118,186	772,837

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**550,418**	364,116
91 to 180 days	**146,751**	119,394
181 to 365 days	**132,534**	76,139
1 to 2 years	**28,791**	32,667
2 to 3 years	**4,446**	895
3 to 4 years	**789**	854
4 to 5 years	**240**	549
	863,969	594,614

The Group's trade receivables are denominated in RMB.

(a) Classification as trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. See Note 41.5 and 3.1.2 for a description of the Group's impairment policy for trade and other receivables.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of shares *USD*	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*
Authorised:				
At January 1, 2023 and December 31, 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 *(i)*	14,800,000	148	1	681,739
Dividends *(ii)*	—	—	—	(94,479)
At December 31,2023	631,524,200	6,315	43	7,634,305
At December 31, 2021 and January 1, 2022	618,000,000	6,180	42	7,082,873
Repurchase of ordinary shares	(1,275,800)	(13)	—*	(35,828)
At December 31,2022	616,724,200	6,167	42	7,047,045

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

(i) On January 4, 2023, the Company entered into a 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 were 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).

(ii) The Board recommended the payment of final dividend of approximately RMB94,479,000 for the year ended December 31, 2022 which was approved by the shareholders at the annual general meeting of the Company at June 28, 2023. The final dividend was paid to the shareholders on July 27, 2023.

22 OTHER RESERVES

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**(2,851,903)**	(2,929,602)
Transfer to statutory reserve	**17,464**	41,352
Share-based compensation expense *(Note 28)*	**29,250**	38,085
Acquired additional shares of subsidiaries	**—**	(1,738)
At the end of the year	**(2,805,189)**	(2,851,903)

23 RETAINED EARNINGS

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**738,573**	303,141
Profit for the year	**682,928**	476,784
Transfer to statutory reserves	**(17,464)**	(41,352)
At the end of the year	**1,404,037**	738,573

24 BORROWINGS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings	**2,715,307**	1,283,263
Non-current liabilities:		
— Long-term bank borrowings — secured *(i)*	**2,191,015**	1,157,630
— Long-term bank borrowings — unsecured	**312,292**	6,200
Less: current portion	**(184,450)**	(60,970)
	2,318,857	1,102,860
Current liabilities:		
— Short-term bank borrowings — unsecured	**212,000**	119,433
— Current portion of non-current liabilities	**184,450**	60,970
	396,450	180,403
Other borrowings *(ii)*	**6,050**	—
Non-current liabilities:		
— Long-term other borrowings — secured *(i)*	**6,050**	—
Less: current portion	**(5,915)**	—
	135	—
Current liabilities:		
— Current portion of non-current liabilities	**5,915**	—
	5,915	—
Total	**2,721,357**	1,283,263

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Pledged by property, plant and equipment *(Note 13)*	**785,748**	219,112
Secured by equity pledge of certain subsidiaries of the Group	**1,411,317**	938,518
	2,197,065	1,157,630

The Group's bank borrowings as at December 31, 2023 of approximately RMB785,748,000 (2022: approximately RMB219,112,000) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of approximately RMB751,882,000 (2022: approximately RMB358,926,000).

The Group's bank borrowings as at December 31, 2023 of approximately RMB1,411,317,000 (2022: approximately 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 Chang'an Hospital and 70% equity of Yixing Hygeia Hospital.

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

24 BORROWINGS (CONTINUED)

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

	As at December 31,	
	2023	2022
Bank borrowings	**4.02%**	4.08%

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

	As at December 31,	
	2023 *RMB'000*	2022 *RMB'000*
Fixed-rate bank borrowings	**1,228,718**	352,427
Floating-rate bank borrowings	**1,492,639**	930,836
	2,721,357	1,283,263

(c) The carrying amounts of the borrowings approximated their fair values as at December 31, 2023 as the impact of discounting of borrowings with fixed interest rates was not significant.

(d) The Group's borrowings were repayable based on scheduled repayments as follows:

	As at December 31,	
	2023 *RMB'000*	2022 *RMB'000*
Within 1 year	**402,365**	180,403
Between 1 and 2 years	**256,709**	945,030
Between 2 and 5 years	**1,829,041**	157,830
Over 5 years	**233,242**	—
	2,721,357	1,283,263

24 BORROWINGS (CONTINUED)

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
RMB	**2,721,357**	586,803
USD	**—**	696,460
	2,721,357	1,283,263

(f) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities for the years ended December 31, 2023 and 2022, see Note 3.2(b) for details.

25 DEFERRED REVENUE

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**36,084**	34,573
To be realised within 12 months	**587**	1,312
To be realised more than 12 months	**35,497**	33,261
Total	**36,084**	34,573

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

26 LEASE LIABILITIES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Minimum lease payments due		
— Within 1 year	**971**	2,962
— Between 1 and 2 years	**941**	965
— Between 2 and 5 years	**1,752**	2,270
— Above 5 years	**—**	311
	3,664	6,508
Less: future finance charges	**(434)**	(653)
Present value of lease liabilities	**3,230**	5,855
Within 1 year	**793**	2,727
Between 1 and 2 years	**814**	798
Between 2 and 5 years	**1,623**	2,028
Above 5 years	**—**	302
	3,230	5,855

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses (included in finance costs-net) *(Note 10)*	**238**	158
Variable terms lease expenditure for equipment	**1,063**	1,132
Short-term lease expenditure	**809**	870
	1,872	2,002
Cash outflow for lease payments *(Note 32(c))*	**3,182**	2,615
Cash outflow for short-term lease and variable terms lease *(Note 8)*	**1,872**	2,002
	5,054	4,617

26 LEASE LIABILITIES (CONTINUED)

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

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

A 5% increase in revenue shares across all divisions in the Group with such variable lease contracts, for the year ended December 31, 2023 would increase total lease payments by approximately RMB100,000 (2022: approximately RMB96,000).

27 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Provision for asset retirement obligations	**9,620**	8,308

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

28 SHARE-BASED COMPENSATION EXPENSES

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the Grant Date and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Performance targets are set out for each batch of granted Share Options and determined annually by the Board. Details of the Share Options was disclosed in the Company announcement dated November 12, 2021. As at December 31, 2023, 1,452,800 share options of the Company were vested and 707,800 share options were forfeited due to dismission of the eligible person. Set out below are summaries of options movements under the plan:

	2023		2022	
	Average exercise price per share option	***Number of options***	*Average exercise price per share option*	*Number of options*
As at January 1	**HKD66.80**	**7,338,000**	HKD66.80	7,859,000
Forfeited during the year	**HKD66.80**	**(186,800)**	HKD66.80	(521,000)
As at December 31	**HKD66.80**	**7,151,200**	HKD66.80	7,338,000
Including: vested and exercisable at December 31	**HKD66.80**	**1,452,800**	HKD66.80	–

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

28 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

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

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

The Group recorded aggregate RMB29,250,000 share-based compensation expenses in the consolidated statements of comprehensive income for the year ended December 31, 2023 (December 31, 2022: RMB38,085,000).

Accounting policies for share-based compensation

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

- Including any market performance conditions;
- Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and
- Excluding the impact of any service and non-market performance vesting conditions.

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

28 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Accounting policies for share-based compensation (Continued)

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

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

29 TRADE AND OTHER PAYABLES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables *(i)*	**687,100**	396,221
Salaries payable	**355,066**	187,116
Payables for construction projects	**161,547**	80,835
Payables of considerations for acquiring equity interest of subsidiaries *(ii)*	**65,171**	98
Other taxes payable	**43,674**	30,230
Payables of surcharge for tax overdue payments	**7,578**	7,578
Deposits payable	**7,543**	1,145
Prepayments received for radiotherapy equipment licensing	**6,430**	8,100
Others	**75,945**	29,524
	1,410,054	740,847

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**479,403**	333,883
91 to 180 days	**129,778**	34,410
181 to 365 days	**45,316**	14,570
Over 1 year	**32,603**	13,358
	687,100	396,221

(ii) As at December 31, 2023, the payables of considerations for acquiring equity interest of subsidiaries mainly represent the outstanding consideration for acquiring Datang HK and Chang'an Hospital and Yixing Hygeia Hospital, which are payable within one year from the acquisition date. See Note 36 for details.

30 CONTRACT LIABILITIES

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Hospital Business		
— Outpatient services	**26,049**	13,527
— Inpatient services	**17,448**	10,022
Other Business	**10,761**	5,655
	54,258	29,204

(a) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Hospital Business		
— Outpatient services	**13,527**	5,097
— Inpatient services	**10,022**	20,405
Other Business	**5,655**	6,783
	29,204	32,285

All hospital business contracts are for periods of one year or less. Other business contracts are for periods of more than one year with variable consideration based on revenue. Hence, the transaction prices allocated to these unsatisfied performance obligations are not disclosed.

31 DIVIDENDS

The Board did not propose to declare any final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: RMB0.15 per share, in aggregate amounted to approximately RMB94.5 million).

32 NET CASH GENERATED FROM OPERATION

(a) Reconciliation from profit before income tax to cash generated from operations:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**856,087**	643,311
Adjustment for:		
Interest income *(Note 10)*	**(10,153)**	(17,318)
Interest expenses *(Note 10)*	**43,170**	40,828
Depreciation of property, plant and equipment *(Note 13)*	**194,085**	142,098
Amortisation of intangible assets *(Note 14)*	**16,457**	11,083
Net loss on disposals of property, plant and equipment and intangible assets *(Note 7)*	**4,829**	454
Realised and unrealised gains on financial assets at FVPL *(Note 7)*	**(15,562)**	(2,392)
Share-based compensation expense *(Note 28)*	**29,250**	38,085
Realised and unrealised exchange (gains)/losses from foreign currency borrowings *(Note 32(c))*	**(9,743)**	80,101
Operating cash flows before changes in working capital	**1,108,420**	936,250
Changes in working capital:		
Increase in inventories	**(27,201)**	(46,679)
Increase in trade and other receivables, prepayments	**(30,733)**	(191,329)
(Decrease)/increase in trade and other payables, and contract liabilities	**(124,047)**	114,903
Cash generated from operations	**926,439**	813,145

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net book amount *(Note 13)*	**20,063**	13,043
Net loss on disposal of property, plant and equipment and intangible assets *(Note 7)*	**(4,829)**	(454)
Proceeds from disposal of property, plant and equipment and intangible assets	**15,234**	12,589

For the years ended December 31, 2023 and 2022, the Group did not have any material non-cash investing and financing activities.

32 NET CASH GENERATED FROM OPERATION (CONTINUED)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in the debt for each of the period presented.

	Bank borrowings *RMB'000*	Lease liability *RMB'000*
Balance as at January 1, 2022	1,230,851	808
Cash flows	(27,689)	(2,615)
Additions	—	7,504
Exchange losses	80,101	—
Interest expenses	—	158
Balance as at December 31, 2022	1,283,263	5,855
Balance as at January 1, 2023	**1,283,263**	**5,855**
Cash flows	**1,271,027**	**(3,182)**
Additions	**—**	**319**
Additions from acquisitions	**176,810**	**—**
Exchange gains	**(9,743)**	**—**
Interest expenses	**—**	**238**
Balance as at December 31, 2023	**2,721,357**	**3,230**

33 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties (Continued)

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2023 and 2022:

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

(b) Key management includes directors and the senior management of the Group

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and bonus	**4,806**	7,173
Employer's contribution to retirement benefit plan	**314**	341
Allowances and benefits in kind	**305**	344
Share-based compensation expenses	**3,775**	6,058
	9,200	13,916

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

For the years end December 31, 2023 and 2022, save as disclosed elsewhere in this accountant's report, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Recurring transactions		
Other Business Revenue		
— Handan Renhe Hospital	**15,611**	13,919
— Kaiyuan Jiehua Hospital Co., Ltd.	**–**	395
Depreciation on right-of-use assets and interest expense on lease liabilities		
— Ms. Zhu	**1,007**	968
— Shanghai Rongqiao Biotechnology Co., Ltd.	**636**	773
— Ji Hairong	**27**	—
Non-recurring transactions		
Acquired additional shares of subsidiary		
— Shanghai Xiangshang Investment Development Co., Ltd.	**–**	15,300

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

(d) Loan to a related party

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
— Kaiyuan Jiehua Hospital Co., Ltd.		
At the beginning of the year	**–**	22,064
Reclassified as intra-group transaction due to acquisition of additional shares	**–**	(22,000)
Interest charged	**–**	601
Reclassified as intra-group transaction	**–**	(665)
At the end of the year	**–**	—

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances with related parties

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Amounts due from related parties		
Other Business		
— Handan Renhe Hospital	**20,255**	16,608

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Amounts due to related parties		
Lease liabilities to		
— Ms. Zhu	**—**	983
— Shanghai Rongqiao Biotechnology Co., Ltd.	**—**	1,158
— Ji Hairong	**53**	—
Total	**53**	2,141

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

34 COMMITMENTS

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**493,891**	583,120
Intangible assets	**530**	298
	494,421	583,418

35 CONTINGENT LIABILITIES

As at December 31, 2023 and 2022, the Group did not have any material contingent liabilities.

36 BUSINESS COMBINATION

(a) Yixing Hygeia Hospital

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

The acquisition was completed on May 31, 2023, and after the acquisition, Yixing Hygeia Hospital has become 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 acquisition 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 year ended December 31, 2023	252,960
Consideration payable	14,840

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.

36 BUSINESS COMBINATION (CONTINUED)

(a) Yixing Hygeia Hospital (Continued)

(i) Acquisition-related cost

Acquisition-related costs of approximately RMB322,000 are included in administrative expenses in profit or loss for the year ended December 31, 2023.

(ii) Revenue and profit contribution

The acquired business contributed revenue of approximately RMB128,935,000 and net profit of approximately RMB17,616,000 to the Group for the period from June 1, 2023 to December 31, 2023. If the acquisition had occurred on January 1, 2023, the contributed revenue and profit after tax to the Group for the year ended December 31, 2023 would have been approximately RMB200,518,000 and RMB1,085,000 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 has become 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 acquisition 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 year ended December 31, 2023	2,677
Consideration payable	233

36 BUSINESS COMBINATION (CONTINUED)

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

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 significant acquisition-related costs occurred for this deal, hence no acquisition-related costs are included in administrative expenses in profit or loss for the year ended December 31, 2023.

(ii) Revenue and profit contribution

The acquired business contributed revenue of approximately RMB2,339,000 and net profit of approximately RMB131,000 to the Group for the period from June 1, 2023 to December 31, 2023. If the acquisition had occurred on January 1, 2023, the contributed revenue and profit after tax to the Group for the year ended December 31, 2023 would have been approximately RMB3,984,000 and RMB109,000 respectively.

(c) Datang HK and Chang'an Hospital

On July 25, 2023, the Group entered into an acquisition agreement to acquire, (i) the entire issued share capital of Datang HK, which holds 70% equity interest in 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. Details of the acquisition are set out in the Company's announcement dated July 25, 2023.

The acquisition was completed on August 31, 2023, and after the acquisition, Datang HK became a direct wholly-owned subsidiary of the Company and Chang'an Hospital has become an indirect wholly-owned subsidiary of the Company, and the financial results of them were consolidated into the financial statements of the Group.

36 BUSINESS COMBINATION (CONTINUED)

(c) Datang HK and Chang'an Hospital (Continued)

The fair values of the identifiable assets and liabilities of Datang HK and Chang'an Hospital as at the date of acquisition are set out as follows:

	At date of acquisition Fair value *RMB'000*
Property, plant and equipment	496,770
Intangible assets	42,592
Deferred income tax assets	1,722
Inventories	18,878
Trade, other receivables and prepayments	221,540
Cash and cash equivalents	109,286
Deferred income tax liabilities	(11,715)
Trade and other payables	(478,683)
Contract liabilities	(20,859)
Fair value of net identifiable assets	379,531
Goodwill	1,280,469
Total consideration for the subscription and acquisition	1,660,000
Total purchase consideration comprises:	
Cash paid during the year ended December 31, 2023	1,610,000
Consideration payable	50,000

The goodwill is attributable to Chang'an 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.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Chang'an Hospital. The fair values of the assets and liabilities disclosed above have only been determined provisionally.

(i) Acquisition related cost

Acquisition-related costs of approximately RMB2,497,000 are included in administrative expenses in profit or loss for the year ended December 31, 2023.

(ii) Revenue and profit contribution

The acquired business contributed revenue of approximately RMB277,088,000 and net profit of approximately RMB34,636,000 to the Group for the period from September 1, 2023 to December 31, 2023. If the acquisition had occurred on January 1, 2023, the contributed revenue and profit after tax to the Group for the year ended December 31, 2023 would have been approximately RMB786,623,000 and RMB79,475,000 respectively.

36 BUSINESS COMBINATION (CONTINUED)

(d) Qufu Chengdong Hospital

On November 30, 2023, the Group entered into an acquisition agreement to acquire an aggregate of 100% equity interest in Qufu Chengdong Cancer Hospital Co., Ltd. ("Qufu Chengdong Hospital") at the total consideration of RMB46,000,000. The Group holds 70% equity interest in Qufu Chengdong Hospital through Qufu Medical Management and controls the remaining 30% equity interest through Hygeia Hospital Management. Details of the acquisition are set out in the Company's announcement dated November 30, 2023.

The acquisition was completed on December 31, 2023, and after the acquisition, Qufu Chengdong Hospital has become an indirect 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 Qufu Chengdong Hospital as at the date of acquisition are set out as follows:

	At date of acquisition Fair value *RMB'000*
Property, plant and equipment	18,507
Intangible assets	9,219
Deferred income tax assets	1,752
Inventories	389
Trade, other receivables and prepayments	5,332
Cash and cash equivalents	2,284
Deferred income tax liabilities	(2,351)
Trade and other payables	(37,377)
Contract liabilities	(28)
Fair value of net identifiable assets	(2,273)
Goodwill	48,273
Total consideration for the subscription and acquisition	46,000
Total purchase consideration comprises:	
Cash paid during the year ended December 31, 2023	46,000

The goodwill is attributable to Qufu Chengdong 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.

36 BUSINESS COMBINATION (CONTINUED)

(d) Qufu Chengdong Hospital (Continued)

(i) Acquisition related cost

Acquisition-related costs of approximately RMB213,000 are included in administrative expenses in profit or loss for the year ended December 31, 2023.

(ii) Revenue and profit contribution

No revenue and net profit of the acquired business contribute to the Group as the acquisition was completed on December 31, 2023. If the acquisition had occurred on January 1, 2023, the contributed revenue and profit after tax to the Group for the year ended December 31, 2023 would have been approximately RMB29,755,000 and RMB437,000 respectively.

(e) Purchase consideration — cash outflow

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Outflow of cash to acquire subsidiary, net of cash acquired		
Yixing Hygeia Hospital		
Cash consideration paid	**252,960**	NA
Less: cash and cash equivalents acquired	**(33,535)**	NA
Subang Medical Technology		
Cash consideration paid	**2,677**	NA
Less: cash and cash equivalents acquired	**(389)**	NA
Datang HK and Chang'an Hospital		
Cash consideration paid	**1,610,000**	NA
Less: cash and cash equivalents acquired	**(109,286)**	NA
Qufu Chengdong Hospital		
Cash consideration paid	**46,000**	NA
Less: cash and cash equivalents acquired	**(2,284)**	NA
Payments for acquisition of subsidiaries in prior years	**NA**	146,591
Payments for acquisition of subsidiaries, net of cash acquired	**1,766,143**	146,591

Acquisition-related costs of RMB3,032,000 are included in administrative expenses in the consolidated statement of comprehensive income and in the cash flows from operating activities in the consolidated statement of cash flows.

36 BUSINESS COMBINATION (CONTINUED)

(f) Accounting policies for business combination

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

37 PARTICULARS OF SUBSIDIARIES

The Company's subsidiaries comprising the Group at December 31, 2023 are set out below. All of these are limited liability companies and the country of incorporation or registration is also their principal place of business:

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2023	Attributable equity interest to the Group As at December 31, 2022
Directly held:					
Hygeia Healthcare Group Co., Limited	BVI, October 2, 2018	USD50	Investment holding	100%	100%
Etern Group Ltd.	BVI, April 28, 2021	–	Corporate management	100%	100%
Datang Healthcare Co., Ltd.*(iii)* (大唐醫療有限公司)	Hong Kong, August 31, 2023	–	Corporate management	100%	Not applicable
Indirectly held:					
Hygeia Healthcare (HK) Co., Limited	Hong Kong, October 19, 2018	HKD10	Investment holding	100%	100%
Shanghai Hygeia Medical Technology (Group) Co., Ltd.*(i)* (上海海吉亞醫療科技(集團)有限公司)	PRC, January 10, 2007	RMB250,000	Corporate management	100%	100%
Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司)	PRC, April 24, 2015	RMB80,000	Investment holding company	100%	100%
Shanxian Hygeia Hospital Co., Ltd. (單縣海吉亞醫院有限公司)	PRC, November 20, 2012	RMB234,187	Healthcare Services	100%	100%
Jiangsu Gamma Star Medical Service Co., Ltd. (江蘇伽瑪星醫療服務有限公司)	PRC, December 1, 2017	RMB10,000	Radiotherapy Service	100%	100%
Jiangsu Hygeia Medical Instrument Co., Ltd. (江蘇海吉亞醫療器械有限公司)	PRC, November 21, 2017	RMB10,000	Supply chain	100%	100%
Gamma Star Tech (上海伽瑪星科技發展有限公司)	PRC, November 24, 2009	RMB150,000	Hospital management and production of our proprietary SRT equipment	100%	100%
Chengwu Hygeia Hospital (成武海吉亞醫院有限公司)	PRC, January 12, 2017	RMB26,000	Healthcare Services	100%	100%
Chongqing Hygeia Hospital (重慶海吉亞醫院有限公司)	PRC, November 9, 2015	RMB71,429	Healthcare Services	100%	100%

37 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2023	Attributable equity interest to the Group As at December 31, 2022
Indirectly held: (Continued)					
Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司)	PRC, January 23, 2013	RMB157,143	Healthcare Services	100%	100%
Anqiu Hygeia Hospital (安丘海吉亞醫院有限公司)	PRC, December 26, 2016	RMB21,429	Healthcare Services	100%	100%
Suzhou Canglang Hospital (蘇州滄浪醫院有限公司)	PRC, November 27, 2015	RMB18,857	Healthcare Services	100%	100%
Suzhou Suchen Medical Investment Development Co., Ltd. (蘇州蘇辰醫療投資發展有限公司)	PRC, November 27, 2015	RMB12,000	Investment holding company	100%	100%
Longyan Boai Hospital (龍岩市博愛醫院有限公司)	PRC, September 8, 2015	RMB17,150	Healthcare Services	100%	100%
Hygeia (Shanghai) Hospital Management Co., Ltd. (海吉亞(上海)醫院管理有限公司)	PRC, April 08, 2019	RMB50,000	Investment holding company	100%	100%
Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司)	PRC, June 20, 2019	RMB50,000	Healthcare Services	100%	100%
Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司)	PRC, December 18, 2019	RMB50,000	Healthcare Services	100%	100%
Shanghai Gamma Star Medical Information Consulting Co., Ltd. (上海伽瑪星醫療資訊諮詢有限公司)	PRC, August 23, 2019	RMB10,000	Corporate management	100%	100%
Liaocheng Hygeia Supply Chain Management Co., Ltd. *(i)* (聊城海吉亞供應鏈管理有限公司)	PRC, May 27, 2020	USD50,000	Supply chain	100%	100%
Wuxi Hygeia Hospital Co., Ltd. (無錫海吉亞醫院有限公司)	PRC, July 22, 2020	RMB50,000	Healthcare Services	100%	100%
Shanghai Hygeia Medical Butler Enterprise Service Co., Ltd. (上海海吉亞醫管家企業服務有限公司)	PRC, September 10, 2020	RMB1,000	Corporate management	100%	100%
Dezhou Hygeia Supply Chain Management Co., Ltd. *(i)* (德州海吉亞供應鏈管理有限公司)	PRC, November 13, 2020	USD10,000	Supply chain	100%	100%
Hygeia Doctor Group (Shenzhen) Co., Ltd. (海吉亞醫生集團(深圳)有限公司)	PRC, November 13, 2020	RMB1,000	Corporate management	100%	100%

37 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2023	Attributable equity interest to the Group As at December 31, 2022
Indirectly held: (Continued)					
Hygeia Medical Management (Shanghai) Co., Ltd. (海吉亞醫療管理(上海)有限公司)	PRC, January 5, 2021	RMB100,000	Corporate management	100%	100%
Etern Healthcare (HK) Limited	Hong Kong, April 28, 2021	–	Corporate management	100%	100%
Suzhou Yongding Medical Management Service Co., Ltd. *(i)* (蘇州永鼎醫療管理服務有限公司)	PRC, April 28, 2021	RMB80,000	Corporate management	100%	100%
Hezhou Guangji Hospital (賀州廣濟醫院有限公司)	PRC, July 7, 2021	RMB59,201	Healthcare Services	100%	100%
Suzhou Yongding Hospital Co., Ltd. (蘇州永鼎醫院有限公司)	PRC, April 28, 2021	RMB75,000	Healthcare Services	98%	98%
Longyan Hygeia Hospital Co., Ltd. (龍岩海吉亞醫院有限公司)	PRC, June 7, 2021	RMB50,000	Healthcare Services	100%	100%
Changshu Hygeia Hospital Co., Ltd. (常熟海吉亞醫院有限公司)	PRC, June 29, 2021	RMB100,000	Healthcare Services	100%	100%
Anyang Hygeia Hospital Co., Ltd. (安陽海吉亞醫院有限公司)	PRC, July 29, 2021	RMB50,000	Healthcare Services	100%	100%
Qihai (Chongqing) Pharmaceutical Co., Ltd. (棲海(重慶)醫藥有限公司)	PRC, August 11, 2021	RMB10,000	Supply chain	100%	100%
Zhuhai Bihai Enterprise Management Consulting Co., Ltd. *(i)* (珠海碧海企業管理諮詢有限公司)	PRC, August 17, 2021	RMB50,000	Corporate management	100%	100%
Kaiyuan Jiehua Hospital Co., Ltd. (開遠解化醫院有限公司)	PRC, May 31, 2021	RMB7,143	Healthcare Services	100%	100%
Liaocheng Hygeia Medical Butler Enterprise Service Co., Ltd. (聊城海吉亞醫管家企業服務有限公司)	PRC, October 29, 2021	RMB1,000	Corporate management	100%	100%
Hygeia Medical Management (Chongqing) Co., Ltd. (海吉亞醫療管理(重慶)有限公司)	PRC, January 20,2022	RMB200,000	Corporate management	100%	100%
Suzhou Hygeia Pharmacy Co., Limited. *(ii)* (蘇州海吉亞大藥房有限公司)	PRC, April 7, 2023	RMB100	Healthcare Services	100%	Not applicable

37 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2023	Attributable equity interest to the Group As at December 31, 2022
Indirectly held: (Continued)					
Yixing Hygeia Hospital *(iii)* (宜興海吉亞醫院有限公司)	PRC, May 31, 2023	RMB36,637	Healthcare Services	89.2%	Not applicable
Subang Medical Technology *(iii)* (無錫市蘇邦醫療科技有限公司)	PRC, May 31, 2023	RMB6,000	Corporate management	89.2%	Not applicable
Qufu Hygeia Medical Management Co., Ltd. *(ii)* (曲阜海吉亞醫療管理有限公司)	PRC, July 4, 2023	RMB10,000	Corporate management	100%	Not applicable
Chang'an Hospital *(iii)* (長安醫院有限公司)	PRC, August 31, 2023	USD48,562	Healthcare Services	100%	Not applicable
Qufu Chengdong Hospital *(iii)* (曲阜城東腫瘤醫院有限公司)	PRC, December 31, 2023	RMB10,000	Healthcare Services	100%	Not applicable

(i) These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

(ii) These subsidiaries were newly established during this year.

(iii) These subsidiaries were newly acquired during this year (Note 36).

The English names of the subsidiary registered in PRC represent management's best efforts in translating their Chinese names as they do not have official English names.

38 BALANCE SHEET OF THE COMPANY

		As at December 31,	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Amount due from a subsidiary		**1,076,697**	773,469
Investment in subsidiaries		**7,449,528**	6,256,804
Total non-current assets		**8,526,225**	7,030,273
Current assets			
Prepayments and other receivables		**55**	140
Cash and cash equivalents		**15,783**	395,295
Total current assets		**15,838**	395,435
Total assets		**8,542,063**	7,425,708
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*21*	**7,634,348**	7,047,087
Other reserves	*38(a)*	**2,999**	(26,251)
Accumulated losses	*38(b)*	**(347,560)**	(333,931)
Total equity		**7,289,787**	6,686,905
LIABILITIES			
Non-current liabilities			
Long-term Borrowings		**1,174,835**	696,460
Total non-current liabilities		**1,174,835**	696,460
Current liabilities			
Trade and other payables		**57,987**	3,546
Amounts due to subsidiaries		**19,454**	38,797
Total current liabilities		**77,441**	42,343
Total liabilities		**1,252,276**	738,803
Total equity and liabilities		**8,542,063**	7,425,708

The balance sheet of the Company was approved by the Board on March 26, 2024 and was signed on its behalf.

Zhu Yiwen
Director

Ren Ai
Director

38 BALANCE SHEET OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**(26,251)**	(64,336)
Share-based compensation expense for a subsidiary	**29,250**	38,085
At the end of the year	**2,999**	(26,251)

(b) Accumulated losses of the Company

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**(333,931)**	(231,838)
Loss for the year	**(13,629)**	(102,093)
At the end of the year	**(347,560)**	(333,931)

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended December 31, 2023:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2023							
Executive directors							
Mr. Zhu Yiwen	–	600	48	1,762	40	43	2,493
Mr. Ren Ai	–	541	894	755	66	68	2,324
Ms. Cheng Huanhuan	–	504	399	503	66	68	1,540
Mr. Zhang Wenshan	–	420	583	377	66	68	1,514
Ms. Jiang Hui	–	517	300	377	66	68	1,328
Independent non-executive directors							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Ye Changqing	240	–	–	–	–	–	240
Mr. Zhaochun	240	–	–	–	–	–	240
	720	2,582	2,224	3,774	304	315	9,919

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2022:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2022							
Executive directors							
Mr. Zhu Yiwen	–	492	353	2,827	28	28	3,728
Mr. Ren Ai	–	540	958	1,212	63	63	2,836
Ms. Cheng Huanhuan	–	504	979	808	63	63	2,417
Mr. Zhang Wenshan	–	420	242	606	63	63	1,394
Ms. Jiang Hui	–	603	214	606	63	63	1,549
Independent non-executive directors							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Chen Penghui *(i)*	84	–	–	–	–	–	84
Mr. Ye Changqing	240	–	–	–	–	–	240
Mr. Zhaochun	157	–	–	–	–	–	157
	721	2,559	2,746	6,059	280	280	12,645

(i) Mr. Chen Penghui has resigned as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of Audit Committee and Nomination Committee on May 6, 2022.

During the years ended December 31, 2023 and 2022, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended December 31, 2023 and 2022.

40 SUBSEQUENT EVENTS

There have been no significant events subsequent to December 31, 2023 that would require adjustments to, or additional disclosure in, these consolidated financial statements.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

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

41.1 Subsidiaries

(i) Consolidation

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

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

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

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

(a) Changes in ownership interests without change of control

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

(b) Disposal of subsidiaries

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.1 Subsidiaries (Continued)

(ii) Separate financial statements

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

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

41.2 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income within "other gains/(losses)– net" excluded for the amount of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.3 Property, plant and equipment

The Group's accounting policy for land and buildings is explained in Note 13. Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period is capitalised in property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the periods in which they are incurred.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 41.5).

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

Construction-in-progress (the "CIP") represents buildings under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost is transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

41.4 Intangible assets

(i) Medical licenses

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

(ii) Contractual rights to provide management services

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.4 Intangible assets (Continued)

(iii) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintaining computer software programs are recognised as expenses incurred.

(iv) Research and development

Research expenditure is recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique intangible asset controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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

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

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.5 Financial assets

(i) Classification

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

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

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

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

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

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

(ii) Recognition and measurement

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

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.5 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments

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

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

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

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.5 Financial assets (Continued)

(iii) Impairment of financial assets

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

- trade receivables for sales of goods or provision of services; and
- other receivables and due from related parties.

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

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

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

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.5 Financial assets (Continued)

(iv) Derecognition of financial instruments

Financial assets

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

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

- the carrying amount of the financial asset transferred; and

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

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

Other financial liabilities

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

41.6 Offsetting financial instruments

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

41.7 Inventories

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.8 Contract assets and contract liabilities

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

41.9 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 41.5 for a description of the Group's impairment policy for trade and other receivables.

41.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and on hand. Cash at bank with restriction on their uses are included as "restricted cash" in the consolidated statements of financial position. Restricted cash are excluded from cash and cash equivalents.

41.11 Share capital and share premium

Ordinary shares are classified as equity.

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

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.12 Trade payables

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

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

41.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

41.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing cost also include the exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

41.15 Current and deferred income tax

The income tax expense or credit for the year is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.15 Current and deferred income tax (Continued)

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

a) Inside basis differences

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

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

b) Outside basis differences

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

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

(iii) Offsetting

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

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.16 Employee benefits

(i) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group based in the PRC participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees based in the PRC payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

Contributions are made based on certain fixed amounts and are expensed as incurred. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of the Corporate Pension Plan are held separately by a PRC insurance company. If the employee leaves employment prior to the contributions vesting fully, part of the contributions is refunded to the Group, in accordance with the rules of the Corporate Pension Plan.

(ii) Housing funds, medical insurances and other social insurances

The employees of the Group based in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed as incurred.

(iii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(iv) Employee leave entitlement

Employee entitlement to annual leave is recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date. Employees entitlement to sick leave and maternity leave are not recognised until the time of leave.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.16 Employee benefits (Continued)

(v) Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

41.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

41.18 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.19 Leases

The Group as the lessee:

The Group leases various land and properties. Rental contracts are typically made for a fixed period of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.19 Leases (Continued)

The Group as the lessor:

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term (Note 5). The respective leased assets are included in the balance sheet based on their nature.

41.20 Dividend distribution

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

41.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

Definitions and Glossaries

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

"AGM"	annual general meeting of the Company to be held June 28, 2024
"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders of the Company
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on June 8, 2020 which became effective on the Listing Date (as amended from time to time)
"associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 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 the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Hospital Co., Ltd.* (重慶海吉亞醫院有限公司) (formerly known as Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) and Chongqing Hygeia Hospital Management Co., Ltd.* (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Class III" or "Class III hospitals"	the largest and best regional hospitals designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"Company" or "Hygeia Healthcare"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals, details of which are described in the section headed "Directors' Report — Contractual Arrangements" in this annual report
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
"COVID-19"	Novel coronavirus pneumonia
"Datang HK "	Datang Healthcare Corporation Limited (大唐醫療有限公司), a private company limited by shares incorporated under the laws of Hong Kong on October 8, 2014
"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

Definitions and Glossaries

"Director(s)"	director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd.* (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a wholly-owned subsidiary of the Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
"Group", "we", or "us"	the Company together with its subsidiaries
"Handan Renhe Hospital" or "Managed Hospital"	Handan Renhe Hospital* (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011
"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 incorporated under the laws of the PRC on March 4, 2020 and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd.* (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Jiangsu Medical"	Jiangsu Hygeia Medical Instrument Co., Ltd.* (江蘇海吉亞醫療器械有限公司) (formerly known as Jiangsu Hygeia Supply Chain Management Co., Ltd. (江蘇海吉亞供應鏈管理有限公司)), a limited liability company established in the PRC on November 21, 2017, a wholly-owned subsidiary of the Company

"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital Co., Ltd.* (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021, a wholly-owned subsidiary of the Company
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
"Listing Date"	the date, namely June 29, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd.* (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, Chairman and executive Director, and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"NHFPC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Nomination Committee"	the nomination committee of the Board
"oncology"	the branch of medicine that deals with cancer
"Prospectus"	the prospectus of the Company published on June 16, 2020

Definitions and Glossaries

"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)
"Qufu Chengdong Hospital"	Qufu Chengdong Cancer Hospital Co., Ltd.* (曲阜城東腫瘤醫院有限公司), a limited liability company incorporated under the laws of the PRC on October 30, 2015
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
"radiotherapy center services"	the services we provide to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of the proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the proprietary SRT equipment
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly owned by Ms. Zhu, one of the Controlling Shareholders
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2023 to December 31, 2023
"RMB"	the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)	holder(s) of the Shares

"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subang Medical Technology"	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
"US$"	United States dollars, the lawful currency of the United States of America
"VIE Hospitals"	the hospitals that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements from time to time
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
"Yixing Hygeia Hospital"	Yixing Hygeia Hospital Co., Ltd.* (宜興海吉亞醫院有限公司), a limited liability company incorporated under the laws of the PRC on April 6, 2023
"%"	per cent

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

* *For identification purpose only*