



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

INTERIM REPORT

2024



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HONG KONG SHARE REGISTRAR

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

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORIZED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS IN THE PRC

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Corporate Information

PRINCIPAL BANKERS

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Ping An Bank Co., Ltd.
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Pudong New District, Shanghai
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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
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AUDITOR

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

HONG KONG LEGAL ADVISOR

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STOCK CODE

6078

COMPANY'S WEBSITE

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Financial Highlights

	Unaudited		
	Six months ended June 30,		
	2024	2023	Percentage of
	(RMB'000)	(RMB'000)	change ⁽²⁾
Operating Results			
Revenue	2,381,880	1,759,486	35.4
Gross profit	756,439	570,829	32.5
Operating profit	513,662	419,649	22.4
Profit before income tax	476,833	412,357	15.6
Net profit	385,174	334,895	15.0
Non-IFRS adjusted net profit ⁽¹⁾	400,590	346,662	15.5
Basic earnings per share (in RMB)	0.61	0.53	15.1

Notes:

- (1) Adjustments to net profit for the six months ended June 30, 2024 include: (i) share-based compensation expenses of RMB8,702 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB6,696 thousand; and (iii) net foreign exchange losses of RMB18 thousand. Adjustments to net profit for the six months ended June 30, 2023 include: (i) share-based compensation expenses of RMB19,714 thousand; (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB4,379 thousand; and (iii) net foreign exchange gains of RMB(12,326) thousand.
- (2) Calculated in RMB million, except for the percentage of change in basic earnings per share.

	Unaudited	Audited	Percentage of
	As of	As of	
	June 30,	December 31,	change
	2024	2023	
	(RMB'000)	(RMB'000)	
Financial Position			
Total current assets	2,018,294	1,975,590	2.2
Total non-current assets	8,986,176	8,758,973	2.6
Total current liabilities	1,878,244	1,944,147	(3.4)
Total non-current liabilities	2,477,476	2,535,542	(2.3)
Total equity	6,648,750	6,254,874	6.3

Corporate Profile

As an oncology-focused healthcare group, we endeavor to make healthcare services more accessible and affordable (讓醫療更溫暖), 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 interim 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.



Management Discussion and Analysis

BUSINESS REVIEW

The Group is a leading professional oncology medical group in China. Adhering 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 the interests of patients first, continuously improved its clinical diagnostic and treatment capabilities and the quality of its medical services, continually expanded the depth and breadth of its hospital network and fulfilled the unmet needs of oncology patients in China. As of June 30, 2024, the Group managed or operated 16 hospitals with oncology services as the core business, including 4 Class III hospitals, 12 Class II hospitals, as well as 2 additional hospitals designed as Class III hospitals under construction, covering 13 cities in 8 provinces in China, helping the Group effectively reduce regional differences and develop extremely strong adaptability and survival skills.

For the six months ended June 30, 2024, the revenue of the Group was RMB2,381.9 million, representing an increase of 35.4% over the same period of last year and a year-on-year increase in operating revenue⁽¹⁾ of 37.6%. The gross profit of the Group was RMB756.4 million, representing an increase of 32.5% over the same period of last year and a year-on-year increase in operating gross profit⁽²⁾ of 39.4%, with the operating gross profit margin⁽³⁾ of 33.5%. The EBITDA of the Group was RMB647.0 million, representing an increase of 28.7% over the same period of last year and a year-on-year increase in operating EBITDA⁽⁴⁾ of 41.6%. The net profit of the Group was RMB385.2 million, representing an increase of 15.0% over the same period of last year and a year-on-year increase in operating net profit⁽⁵⁾ of 38.4%. The non-IFRS adjusted net profit of the Group was RMB400.6 million, representing an increase of 15.5% over the same period of last year and a year-on-year increase in adjusted operating net profit⁽⁶⁾ of 38.2%.

Notes:

- (1) The operating revenue is the revenue before taking into account amounts that may not be recovered from the relevant public medical insurance program⁽⁷⁾.
- (2) The operating gross profit is calculated based on gross profit and takes operating revenue as a basis.
- (3) The operating gross profit margin is calculated based on operating gross profit divided by operating revenue.
- (4) The operating EBITDA is calculated based on EBITDA, takes operating revenue as a basis and excludes government grants.
- (5) The operating net profit is calculated based on net profit, takes operating revenue as a basis and excludes government grants, finance costs — net and realised and unrealised gains on financial assets at fair value through profit or loss.
- (6) The adjusted operating net profit is calculated based on Non-IFRS adjusted net profit, takes operating revenue as a basis and excludes government grants, finance costs — net and realised and unrealised gains on financial assets at fair value through profit or loss.
- (7) The percentages of the amounts that may not be recovered from the relevant public medical insurance program in revenue were 1.0% for the six months ended June 30, 2023, 2.7% for the six months ended June 30, 2024 and 2.4% for the twelve months ended December 31, 2023.

Management Discussion and Analysis

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

	Unaudited			
	Six months ended June 30,			
	2024		2023	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Hospital business				
— Outpatient services	812,840	34.1	543,220	30.9
— Inpatient services	1,494,617	62.8	1,138,536	64.7
Sub-total	2,307,457	96.9	1,681,756	95.6
Other business	74,423	3.1	77,730	4.4
Total	2,381,880	100.0	1,759,486	100.0

Hospital Business

For the six months ended June 30, 2024, the Group's revenue from its hospital business was RMB2,307.5 million, representing an increase of 37.2% over the same period in 2023. The Group is committed to continually enhancing the brand influence and reputation of the Group's in-network hospitals, leading to the continuous and stable growth in its overall revenue. For the six months ended June 30, 2024, the revenue from outpatient services was RMB812.8 million, representing an increase of 49.6% over the same period in 2023, the revenue from inpatient services was RMB1,494.6 million, representing an increase of 31.3% over the same period in 2023.

Recently, the medical technology of the Group has also continued to advance. For the six months ended June 30, 2024, the Group completed a total of 46,095 surgeries, and the revenue from surgery increased by 38.6% over the same period in 2023, with a steady increase in the proportion of level 3 or 4 surgeries and interventional surgeries.

Other Business

For the six months ended June 30, 2024, the Group's revenue from other business amounted to RMB74.4 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 31.1% from RMB797.8 million for the six months ended June 30, 2023 to RMB1,045.8 million for the six months ended June 30, 2024.



Management Discussion and Analysis

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

	Unaudited Six months ended June 30,			
	2024		2023	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Oncology business	1,045,803	43.9	797,794	45.3
Non-oncology business	1,336,077	56.1	961,692	54.7
Total	2,381,880	100.0	1,759,486	100.0

Gross Profit

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

	Unaudited Six months ended June 30,	
	2024 (RMB'000)	2023 (RMB'000)
Hospital business	717,975	524,771
Other business	38,464	46,058
Total	756,439	570,829

The gross profit of the hospital business, the core business of the Group, was RMB718.0 million for the six months ended June 30, 2024, representing an increase of 36.8% over the same period in 2023, the gross profit margin was 31.1%, and the gross profit margin of the hospital business remained stable.

Management Discussion and Analysis

BUSINESS DEVELOPMENT

Continuously strengthening the construction of oncology and related disciplines

During the Reporting Period, the Group's in-network hospitals continued to strengthen the construction of comprehensive multidisciplinary diagnosis and treatment model (MDT) of oncology, provided one-stop comprehensive diagnosis and treatment services around oncology, enhanced the clinical research capabilities, deployed advanced oncology diagnosis and treatment equipments, and built high-quality talents team, so as to continuously enhance their clinical diagnostic and treatment capabilities.

The construction of academic disciplines is the key to the sustainable development of hospitals, and is also an important symbol of the comprehensive strength and academic status of hospitals. The Group has attached great importance to the construction of oncology specialties, fully utilized its resources and technical advantages, and established a number of national, provincial and municipal clinical key specialties. The department of oncology of Chongqing Hygeia Hospital was evaluated as the "Key Discipline with Respect to Clinical Capability of Medical Institutions (醫療機構臨床能力建設重點學科)" by the National Health Commission, while the departments of general surgery and intensive care unit were approved as the clinical key specialties in Chongqing High-tech District; the department of psychosomatics of Chang'an Hospital was approved as the provincial clinical key specialty development project in Shaanxi Province, while the departments of oncology and intensive care unit were selected as the municipal clinical key specialty development projects in Xi'an City; the departments of general surgery and intensive care unit of Hezhou Guangji Hospital were evaluated as the key specialties in Hezhou City and its orthopedics department was evaluated as the clinical key specialty development project in Hezhou City; the department of hematology of Suzhou Yongding Hospital was evaluated as the municipal clinical key specialty construction unit in Suzhou City, while the departments of ultrasound and medical imaging were evaluated as the clinical key specialties in Wujiang District; the department of orthopedics of Shanxian Hygeia Hospital was evaluated as a municipal key specialty in Heze City, while the department of ophthalmology was evaluated as a municipal key specialty founding unit in Heze City; and the departments of oncology and endocrine of Longyan Boai Hospital were confirmed as a county-level clinical key specialty in Longyan City. The Group will continue to promote the construction of clinical key specialties and advantaged disciplines of hospitals to constantly strengthen its clinical diagnostic and treatment capabilities of oncology and provide a higher level of oncology medical services to patients.

Medical talents are the core competitiveness of the healthcare service industry. The Group has gathered and nurtured a team of experienced and highly-skilled medical talents over the years. As of June 30, 2024, the Group had 7,587 medical professionals in total, representing an increase of 104 compared to December 31, 2023. Among the medical professionals, 1,220 were senior professional technicians, representing an increase of 32 from December 31, 2023. The Group currently has 74 high-level talents, including experts enjoying special government subsidies awarded by the State Council as well as the chairmen and deputy chairmen of specialty societies at all levels. Among them, there are 4 experts who enjoy special governmental subsidies of the State Council represented by Chen Guotao (陳國濤), who is the deputy chairman of the Kidney Disease Branch of Chongqing Medical Association (重慶市醫學會腎臟病分會), the visiting scholar of the Mayo Clinic (梅奧醫學中心) of the United States and the director of Chongqing Hygeia Hospital; 3 experts who are the chairmen and deputy chairmen of the military specialty societies represented by Liu Hongbin (劉宏斌), who is the deputy chairman of the Military General Surgery Development Specialist Committee (全軍普通外科學專業委員會) and the professor of Chang'an Hospital; 5 experts who are the chairmen and deputy chairmen of the national specialty societies represented by Wang Li (王立), who is the deputy chairman of the Internal Medicine Branch of the Chinese Medical Association (中華醫學會內科學分會) and the director of Chongqing Hygeia Hospital; 24 experts who are the chairmen and deputy chairmen of the provincial specialty societies; and 38 experts who are the chairmen and deputy chairmen of the municipal specialty societies. The Group has continued to strengthen the training of internal medical resources. For the six months ended June 30, 2024, a total of 422 medical professionals of the Group were promoted to a higher professional grade, laying a solid foundation for the long-term development of the Group's hospitals.

Management Discussion and Analysis

Since the Listing of the Group, the influence of the experts of its in-network hospitals in the industry has been continuously increasing, with a cumulative total of 728 academic papers published in renowned domestic and international journals. The Group continues to promote the synergistic development of the “medicine, education and research” system, steadily improves the medical research capability through clinical diagnosis and treatment, actively undertakes and implements national, provincial and municipal key scientific research projects, and has been granted a number of national utility model patents and invention patents. Chongqing Hygeia Hospital has become the teaching and practice base of the School of Life Sciences (生命科學學院) and the Bioengineering College (生物工程學院) of Chongqing University, and the first medical institution in Chongqing Hi-Tech District to be certified as a Good Clinical Practice (GCP) medical institution; Suzhou Yongding Hospital has established the institute of clinical medicine of Soochow University-Suzhou Yongding Hospital and cooperated with the School of Rehabilitation of the Shanghai University of Traditional Chinese Medicine in the field of cancer rehabilitation medicine to strengthen the synchronized development of industry, academia and research; Chang’an Hospital attended the 8th China Medical and Healthcare Industry Development and Investment Annual Conference (第八屆中國醫療健康產業發展與投資年會), hosted the special academic session on “Oncology Discipline High-Quality Development and Service Model Innovation Forum (MDT) (腫瘤學科高質量發展與服務模式創新論壇 (MDT))”, and held all-around, multi-level and unique academic lectures to explore the hot and difficult issues in oncology diagnosis and treatment. The papers of the hospital’s imaging department published at the Radiological Society of North America (RSNA), the top academic conference in the field of radiology, for many times, thereby expanding the hospital’s influence in the field of radiology at home and abroad.

Comprehensively enhance the level of medical quality management and continuously improve the satisfaction of patients

Medical quality and safety is directly related to the lives and health of patients. The Group attaches great importance to the management and control of medical quality, strictly implements 18 core systems for medical quality and safety, and continuously improves the quality and safety management system. During the Reporting Period, the Group’s hospitals continued to implement the Comprehensive Action Plan for Enhancing Medical Quality (《全面提升醫療質量行動計劃》), strengthened training, enhanced clinical pathway management, promoted the assessment and grading of hospitals, enhanced daily supervision and guidance and implemented unscheduled inspections, so as to promote the enhancement of the medical quality and the implementation of practice according to law.

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 and continues to optimize its service system, so as to continuously improve the satisfaction of patients. All in-network hospitals of the Group have launched year-round outpatient service (including public holidays). In addition, they have successively operated morning-time, midday-time and night-time outpatient service according to the needs of patients to provide more choices of time for patients to seek medical treatment. Adhering to the patient-centered approach, the Group’s hospitals have added convenient outpatient services and facilities, set up administrative volunteer service posts, launched the “one registration, three days’ validity (一次掛號·三天有效)” convenience initiative, implemented the “90-minute outpatient experience (90分鐘門診就診體驗)”, implemented the “Credit + Medicine (信用+醫療)” digital application service of “diagnosis and treatment first, payment later (先診療·後付費)” and other innovative service modes. During the Reporting Period, the patient satisfaction rate of the Group’s hospitals was 96.9%, representing an increase of 0.3% as compared to 2023. The Group will pursue the goal of 100% satisfaction and continue to improve the patient’s medical experience.

Management Discussion and Analysis

As a healthcare service model based on internet technology, internet hospitals provide online consultation, remote diagnosis, health management and other services through the internet platform, which breaks the time and space constraints of traditional medical services and provides patients with more convenient and efficient medical services. During the Reporting Period, the Group's internet hospitals registered nearly 100,000 attendances. The Group will continue to promote the construction of the internet healthcare service network that combines "online + offline (線上+線下)" to provide patients with convenient services such as online consultation, online follow-up consultation for chronic diseases and delivery of medicines to their homes. The Group has also launched the "Internet + Nursing (互聯網+護理)" services, where patients can make a "cloud order (雲下單)" through their cell phones, and the hospitals will arrange for nursing staff to come to their homes after "receiving the orders" and deliver professional nursing services to the patients' homes, so that patients with limited mobility who are bedridden or who are not accompanied by their children can enjoy scientific and professional on-site nursing care services without leaving their homes. The internet hospital of the Group's Suzhou Yongding Hospital was awarded the honorary title of the 5th "Internet+" Innovation Award in Wujiang District, receiving a high recognition by patients and the society. The healthcare internet hospital construction project of Chongqing Hygeia Hospital was awarded the "Chongqing Comprehensive Pilot Demonstration Project for the Expansion and Opening Up of the Service Industry (重慶市服務業擴大開放綜合試點示範項目)", and became the only medical institution selected for the project.

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

1. Progress of hospitals in construction and the expansion of Phase II projects for existing hospitals

Dezhou Hygeia Hospital, the fifth self-owned hospital of the Group has passed acceptance inspection as a Class III general hospital in March 2024 and was officially put into service in July 2024, with plans to accommodate 1,000 beds. In addition, the construction of two new hospitals, being Wuxi Hygeia Hospital and Changshu Hygeia Hospital, is underway, both of which are designed to be Class III hospitals. Wuxi Hygeia Hospital is designed to accommodate 800 to 1,000 beds, while Changshu Hygeia Hospital is designed to accommodate 800 to 1,200 beds.

Kaiyuan Jiehua Hospital Phase II project has a planned construction area of approximately 15,000 square meters, and is designed to additionally accommodate approximately 500 beds. Currently, civil engineering construction has been commenced.

The preparation works of the Chang'an Hospital Phase III project, Hezhou Guangji Hospital Phase II project and Suzhou Yongding Hospital Phase II project have been commenced, where Chang'an Hospital plans to additionally accommodate approximately 1,000 beds, Hezhou Guangji Hospital plans to additionally accommodate approximately 500 beds, and Suzhou Yongding Hospital plans to additionally accommodate approximately 500 beds. Upon full operation of the hospitals in construction and the expansion of Phase II projects for existing hospitals, the bed capacity will exceed 16,000 beds.



Management Discussion and Analysis

2. Integration progress of mergers and acquisitions

The Group upholds 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 applies the “patient-centered approach (以患者為中心)” to the development of its acquired hospitals.

The Group has continued to strengthen the connotative medical construction of the acquired hospitals, and actively introduced and nurtured academic leaders and technical talents. Since the addition of Chang’an Hospital to the Group, the department of psychosomatics of Chang’an Hospital has been approved as the provincial clinical key specialty development project in Shaanxi Province, while the departments of oncology and intensive care unit have been selected as the municipal clinical key specialty development projects in Xi’an City, and the chest pain center has been confirmed as the national standardized demonstration center. During the Reporting Period, Chang’an Hospital further expanded its medical talent team by newly introducing 7 academic leaders with advanced qualification and 22 specialists with advanced qualification. Yixing Hygeia Hospital continued to improve the development of its disciplines by promoting multidisciplinary comprehensive treatment of oncology, consolidating and expanding the hospital’s disciplines in Wuxi City’s specialties such as the departments of proctology, gynecology and gastroenterology, and successfully establishing a municipal “Chest Pain Rescue and Treatment Unit (胸痛救治單元)”.

The Group focuses on the oncology specialty hospital business. After more than 10 years of development and growth, the Group has accumulated rich experience in hospital management and advantages in resources integration, established a set of standardized and replicable hospital operation system, and empowered the acquired hospitals through scientific remuneration and performance system reform, hospital quality and safety management, supply chain management, the support from the Group’s professional clinical and medical technical departments, reinvestment of healthcare resources and other operation and management measures, thereby resulting in a continuous improvement of the sense of achievement among the employees, as well as the satisfaction of the patients, and also leading to a steady increase in the number of patient visits and the surgery cases, continuous improvement of the business scale and operational efficiency, which in turn further expanded its influence in the industry.

After joining the Group, Chang’an Hospital and Yixing Hygeia Hospital have attached great importance to the construction of patient satisfaction. By optimizing the outpatient layout and increasing the number of convenient outpatient facilities, Chang’an Hospital has continued to improve the patients’ medical experience, and upgraded its service level by launching on-site nursing care services for patients with chronic underlying diseases, oncology patients, post-surgery patients, patients with limited mobility and other patients. Yixing Hygeia Hospital has launched the themed activities of “improving patients’ feeling and experience in medical treatment”, optimized the patients’ experience in the pre-diagnosis, outpatient, emergency, inpatient, post-diagnosis, the whole process and all aspects, and has received numerous commendations from patients and their families conveyed by 12345 government service hotline.

Management Discussion and Analysis

Promote the long-term brand establishment of in-network hospitals and continuously improve environmental, social and governance (ESG) construction

The Group is deeply committed to the long-term brand establishment of its hospitals. Those who have immovable property are equipped with perseverance. The Group's hospitals are all self-owned, with a total of approximately 1,200 mu of land for medical and sanitary use and approximately 940,000 square meters of medical facilities, and are committed to being recognized as "century-old hospitals" within the medical field. During the Reporting Period, Dezhou Hygeia Hospital successfully passed an acceptance inspection as a Class III general hospital, becoming the fourth Class III general hospital of the Group; Longyan Boai Hospital was successfully promoted to a Class II Grade A hospital; Hezhou Guangji Hospital initiated the "Class III Grade A (三甲)" building and implementation plan; and Chongqing Hygeia Hospital was included in the local government's "14th Five-Year" Plan for "Class III Grade A" evaluation.

The Group has always adhered to long-termism and the benevolence of medical professionals, actively organizing public welfare activities such as blood donation, hematopoietic stem cell donation, community service, health lectures, and breast and cervical cancer screening, actively contributing to the local economy and society, thereby enhancing the hospitals' brand and social influence. Hezhou Guangji Hospital was honored by the Central Committee of the Communist Party of China as a "National Advanced Grass-roots Party Organization (全國先進基層黨組織)", and recognized by the All-China Federation of Trade Unions with the honorary title of the "Pioneer of Workers (工人先鋒號)". Li Daliang (李大亮), the hospital director, was named a "National Model Worker (全國勞動模範)"; Jiang Jinbai (蔣勁柏), the head of the emergency and intensive care unit department of the hospital, was named a "Model Worker of Guangxi Zhuang Autonomous Region (廣西壯族自治區勞動模範)" for 2024. Chongqing Hygeia Hospital was elected as the "First Batch of Western Social Medical Benchmark Hospitals (首批西部社會辦醫標桿醫院)", and its director, Zhang Hongfei (張鴻飛), was awarded the Chongqing May Day Labour Award (重慶五一勞動獎章) for 2024. 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 Province, and also the Suzhou May Day Labour Award (蘇州市五一勞動獎). Chang'an Hospital was awarded the "Enterprise Fulfilling Social Responsibility in Xi'an (西安市履行社會責任企業) for 2023". Suzhou Yongding Hospital was rated as a "Civilized Unit of Wujiang District (吳江區文明單位) for 2023". Shanxian Hygeia Hospital was awarded the "Shanxian Economic Development Contribution Award for 2023 (2023年度單縣經濟發展貢獻獎)", and its deputy director, Yu Fengzhen (于鳳珍), was granted the title of a "Model Worker in Shandong Province (山東省勞動模範)".

The Group is committed to upholding the honorable tradition of military support and preferential treatment for military families, and stringently adhering to the implementation of various welfare policies so as to offer more convenient and superior healthcare services along with robust health safeguards for servicemen and women and their families, veterans, and all other eligible beneficiaries. As the first military-supporting hospital in Guangxi Zhuang Autonomous Region, Hezhou Guangji Hospital was awarded the honorary title of "Patriotic Military Support Model Unit in Guangxi Zhuang Autonomous Region (廣西壯族自治區愛國擁軍模範單位)". Longyan Boai Hospital was awarded as the "Military Support and Preferential Hospital (擁軍優撫醫院)" in Longyan City. Yixing Hygeia Hospital was awarded as the "Yixing City Advanced Collective for Veterans Affairs and Double Support Work (宜興市退役軍人事務和雙擁工作先進集體)". Liaocheng Hygeia Hospital was honored with the title of "Military Support Unit (擁軍單位)" by Liaocheng Economic and Technological Development Zone. Suzhou Yongding Hospital, a pioneer as Suzhou City's first hospital designated to provide preferential treatment to veterans and other eligible beneficiaries, was highlighted in feature stories by various media including Xinhua Daily and China Veterans.

Management Discussion and Analysis

The Group attaches great importance to medical insurance management, ensuring the proper utilization of medical insurance funds through the establishment of a dedicated research committee on medical insurance funds. It also strengthens education on relevant medical insurance policies and engages in monthly analysis of medical insurance management across its hospitals, adhering to set standards and pursuing a meticulous approach to management. The medical insurance work of the Group has been commended by the competent authorities on multiple occasions. Shanxian Hygeia Hospital was awarded the honorary title of “Shandong Province Advanced Medical Insurance Department for Healthcare Security (山東省醫療保險先進醫保科室)”. Suzhou Canglang Hospital was rated as a Suzhou Advanced Medical Insurance Designated Unit (蘇州市先進醫保定點單位) by the Suzhou Healthcare Security Administration multiple times. Additionally, several heads of medical insurance departments from the Group’s hospitals were honored as provincial-level advanced individuals in medical insurance management.

The Group attached great importance to investor relations management, and has continuously improved its corporate governance and protected the legitimate rights and interests of the 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. Mr. Zhu Yiwen, the founder, Chairman of the Board and chief executive officer of the Group, and parties acting in concert with him have never reduced their shareholdings in the Company, and have increased their shareholdings in the Group for 18 times since the Listing of the Company, holding a total of over 3 million Shares, demonstrating their firm commitment to standing together with the broad base of public Shareholders. Since its Listing in 2020, the Group has consistently valued Shareholder returns, and has distributed accumulative dividends of approximately RMB170 million. The Group distributed dividend of approximately RMB74 million in 2021, repurchased and cancelled a total of 1,275,800 Shares in 2022, and distributed dividends of approximately RMB95 million in 2023. Also, 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)”. Mr. Zhu Yiwen, the founder, Chairman of the Board and chief executive officer of the Group, was awarded the title of “Wei Lan Award — Entrepreneur of the Year (蔚藍獎 • 年度風雲企業家)”.

The Group established and continuously optimised a sound system of labor 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, and adopted a “dual-track promotion” system to fully simulate the enthusiasm 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 resources 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.

Management Discussion and Analysis

In terms of governance, the Group maintains strict compliance with relevant laws and regulations, continuously improving its corporate governance structure. Four special committees were established, namely the Audit Committee, the nomination committee, the remuneration committee and the ESG committee, to ensure its decision-making is professional, efficient and transparent. The general meetings, the Board and the management have clear responsibilities, fulfilling their respective roles and coordinating operations effectively, thus laying a solid foundation for the corporate's ongoing, stable and robust development. The Group is resolutely against any forms of corruption, and has formulated and implemented the "Anti-Corruption and Anti-Bribery Letter of Commitment (反腐敗、反賄賂承諾書)", established various reporting channels, such as hotline and email, as well as internal complaint channel, and conducted anti-corruption training sessions, consistently striving to foster a corporate culture of transparency and integrity. 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.

INDUSTRY POLICY AND TREND

The long-term support of national policies creates a favorable external environment for society to operate medical services and oncology medical services industry

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 allocation in the country:

- (1) In July 2024, the National Healthcare Security Administration issued the "Notice on Printing and Issuing the Version 2.0 Grouping Scheme for Payment of Fees According to the Value of Disease Groups and Types of Diseases and Deepening the Related Work (《關於印發按病組和病種分值付費2.0版分組方案並深入推進相關工作的通知》)", pointing out that it will accelerate the implementation of the version 2.0 grouping scheme, improve the standardization and uniformity of the payment reform, enhance the level of the settlement of the medical insurance funds, and encourage the use of fund pre-payment to alleviate the pressure on the capital of the medical institutions, and comprehensively clear up the outstanding fees due under medical insurance funds;
- (2) In July 2024, the third plenary session of the 20th Central Committee of the Communist Party of China announced the "Decision on Further Deepening Reforms and Promoting Chinese-Style Modernization (《關於進一步深化改革、推進中國式現代化的決定》)", which states that it would adhere to the principle and policy of creating a favorable environment and providing more opportunities for the development of non-publicly-owned economy, formulate a law on the promotion of privately-owned economy, break down the barriers to market access in depth, and improve the long-term effective mechanism for the participation of privately-owned enterprises in the construction of major national projects;

Management Discussion and Analysis

- (3) In March 2024, Premier Li Qiang, on behalf of the State Council, delivered the “Report on the Work of the Government (《政府工作報告》)” at the second session of the 14th NPC, proposing to improve the capacity of medical and health services as one of the government’s work tasks in 2024, to increase the standard of per capita financial subsidy for residents’ medical insurance by RMB30, and to promote the synergistic development and governance of medical insurance, medical care and medicine;
- (4) In February 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;
- (5) In October 2023, the National Health Commission, together with 13 departments, issued the “Healthy China Action — Cancer Prevention and Control Action Implementation Plan (2023–2030) (《健康中國行動 — 癌症防治行動實施方案(2023–2030年)》)”, which establishes the main goals for the period until 2030: cancer prevention and control system will be further improved, the capacity of comprehensive prevention and control of risk factors, cancer screening and early diagnosis and treatment will be significantly strengthened, the level of standardized diagnostic and treatment will steadily be raised, and the increasing trend of cancer incidence and mortality rates will be contained, the overall five-year survival rate of cancer will reach 46.6%, and the burden of disease on patients will be effectively controlled; it is also proposed to promote the expansion, sinking and balanced distribution of quality cancer prevention and treatment resources, to deeply promote early screening and early diagnosis and treatment of cancer, to optimize the mode of diagnosis and treatment, to continue promoting the multidisciplinary diagnosis and treatment mode, and to enhance the capacity of cancer-related clinical specialties;
- (6) In July 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;
- (7) In July 2023, the National Health Commission issued the “Guiding Opinions on Promoting Clinical Specialty Capacity Building (《關於推動臨床專科能力建設的指導意見》)”, which emphasized the importance of specialty capacity building, pointing out that: on the basis of giving full consideration to the needs of the people of the local area for medical treatment and their own functional positioning, medical institutions should focus on cardio-cerebral-vascular diseases, malignant tumors, respiratory diseases, metabolic diseases and other major diseases with high morbidity and seriously endangering people’s health by combining with the overall planning of the administrative departments of health and wellness, and the strengths of the organization and key supportive disciplines, and determine the direction of the key construction of the clinical specialties of the organization, and specify the core types of diseases and the objectives of construction;

Management Discussion and Analysis

- (8) 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 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;
- (9) 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;
- (10) 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;
- (11) 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;
- (12) 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;
- (13) 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 in 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.;

Management Discussion and Analysis

- (14) 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 remove regulations hinder fair competition, address key and difficult issues, and further promote the sustainable, healthy, and standardized development of private medical institutions;
- (15) 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;
- (16) 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;
- (17) 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;
- (18) 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;

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 steady 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. According to the estimation of the National Health Commission, in the coming period, the degree of aging will continue to intensify, and it is expected that the elderly population aged 60 and above will exceed 400 million by 2035, accounting for more than 30% of the total population, and entering the stage of severe aging. 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.

Management Discussion and Analysis

According to Frost & Sullivan's analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a compound growth rate of approximately 11.5% from 2021 to 2025, and the market size of China's oncology healthcare services market will continue to increase to more than RMB1,100 billion by 2030. 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

With the aging of China's population and the increasing incidence of cancer, the demand for oncology medical treatment will continue to grow. The Group will continue to focus on its core business of oncology treatment, strengthen and expand the influence of its core disciplines such as oncology and increase the scale of its business, so as to satisfy the growing demand for medical treatment from oncology patients.

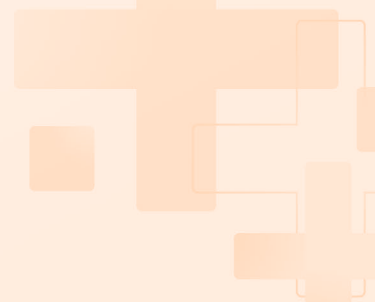
The Group will continue to promote the long-term brand building of its hospitals, adhere to the patient-centered approach, continuously improve the comprehensive diagnostic and treatment technology of its hospitals, improve its standardized and refined hospital management system, and enhance the core competitiveness of its in-network hospitals, so as to maintain its competitive advantages in the industry.

The Group will steadily push forward the construction of new hospital projects as well as the Phase II projects of the existing hospitals, and continue to reserve potential high-quality hospital targets, so as to strive for more favorable merger and acquisition conditions.

The Group will continue to develop self-financed diagnosis and treatment items to meet the diversified needs of patients for medical treatment, further promote the group's strategic cooperation with commercial insurance companies, gradually improve the healthcare payment system that combines medical insurance and commercial insurance, closely integrate the Group's quality medical resources with the healthcare needs of its commercial insurance customers, and continue to innovate the direct compensation service under commercial insurance, so as to provide patients with better and more convenient diagnostic and treatment service processes.

The Group will put into practice the concept of "investor-oriented", focus on Shareholders' return and optimize the allocation of corporate capital in accordance with the market situation. Pursuant to the poll results announcement of the Company dated June 28, 2024, the Shareholders have granted a general mandate to the Directors to repurchase Shares not exceeding 10% of the issued Shares of the Company (excluding any Shares held as treasury Shares) as at June 28, 2024, being the date of the annual general meeting (the "**Repurchase Mandate**").

The Board has resolved on August 29, 2024 to utilize the Repurchase Mandate to repurchase Shares in the open market from time to time at an aggregate price up to RMB200 million (the "**Proposed Share Repurchase**"). The Company believes that the current trading price of the Shares does not reflect their intrinsic value or the actual business prospects of the Company, and the Proposed Share Repurchase will demonstrate the Company's confidence in its own business outlook and prospects. Any exercise of the Repurchase Mandate by the Company will be subject to market conditions and will be at the Board's absolute discretion. There is no assurance of the timing, quantity or price of any Share repurchases or whether or not the Company will make any repurchase at all. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.



Management Discussion and Analysis

We will continue to establish our ESG by reinforcing the regulatory measures on the environment, fulfilling social responsibilities, continuously improving and strengthening corporate governance and standardized governance of listed companies, so as to safeguard the rights and interests of all stakeholders through good operational management, standardized corporate governance and positive investor returns.

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 35.4% to RMB2,381.9 million for the six months ended June 30, 2024 from RMB1,759.5 million for the same period in 2023, representing a year-on-year increase of 37.6% in operating revenue.

Hospital Business

The Group's revenue from hospital business, accounting for 96.9% of the Group's total revenue, increased by 37.2% to RMB2,307.5 million for the six months ended June 30, 2024 from RMB1,681.8 million for the same period in 2023. The increase in revenue from hospital business was primarily attributable to (i) the continuous increase in revenue of existing hospitals arising from the expansion of the business scale; and (ii) the oncology business of the acquired hospitals developed rapidly relying on the advantages of the Group's oncology related business, leading to the rapid growth in revenue of the acquired hospitals.

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 36.7% to RMB1,625.4 million for the six months ended June 30, 2024 from RMB1,188.7 million for the same period in 2023, which was mainly due to the increase in cost of sales as a result of the continuous growth of revenue, which is in line with the Group's revenue growth trend.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 32.5% to RMB756.4 million for the six months ended June 30, 2024 from RMB570.8 million for the same period in 2023, representing a year-on-year increase of 39.4% in operating gross profit.

For the six months ended June 30, 2024, the Group's gross profit margin was 31.8% and operating gross profit margin was 33.5%.

Selling Expenses

During the Reporting Period, the Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses.

For the six months ended June 30, 2024, the Group's selling expenses were RMB29.5 million, accounting for 1.2% of the total revenue.

Management Discussion and Analysis

Administrative Expenses

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

The Group's administrative expenses increased by 32.3% to RMB237.8 million for the six months ended June 30, 2024 from RMB179.7 million for the same period in 2023, primarily due to the increase in administrative expenses as a result of the continuous increase in income.

Other Income

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

The Group's other income decreased by 29.4% to RMB21.9 million for the six months ended June 30, 2024 from RMB31.0 million for the same period in 2023.

Other Gains — Net

During the Reporting Period, the Group's other gains — net mainly included realized and unrealized gains on financial assets at fair value through profit or loss.

The Group's other gains — net decreased to RMB2.6 million for the six months ended June 30, 2024 from RMB14.0 million for the same period in 2023, primarily due to the decrease in net foreign exchange gains of RMB12.3 million.

Finance Income and Costs

During the Reporting Period, the Group's finance income was composed of interest income on bank savings. The Group's finance income decreased by RMB8.9 million to RMB0.8 million for the six months ended June 30, 2024 from RMB9.7 million for the same period in 2023.

During the Reporting Period, the Group's finance costs were mainly composed of interest expenses on bank borrowings. The Group's finance costs increased by RMB20.6 million to RMB37.6 million for the six months ended June 30, 2024 from RMB17.0 million for the same period in 2023.

During the Reporting Period, the Group's finance costs — net increased by RMB29.5 million as compared to the same period of last year.

Income Tax Expense

The Group's income tax expense increased by 18.3% to RMB91.7 million for the six months ended June 30, 2024 from RMB77.5 million for the same period in 2023.



Management Discussion and Analysis

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 15.0% to RMB385.2 million for the six months ended June 30, 2024 from RMB334.9 million for the same period in 2023, representing a year-on-year increase of 38.4% in operating net profit. 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 share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals, net foreign exchange losses/(gains). The Group's non-IFRS adjusted net profit increased by 15.5% to RMB400.6 million for the six months ended June 30, 2024 from RMB346.7 million for the same period in 2023, representing a year-on-year increase of 38.2% in adjusted operating net profit.

Non-IFRS Measures

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2023 and 2024 to the nearest measures prepared in accordance with IFRS:

	Unaudited	
	Six months ended June 30,	
	2024 (RMB'000)	2023 (RMB'000)
Net profit	385,174	334,895
Adjustments:		
Share-based compensation expenses	8,702	19,714
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	6,696	4,379
Net foreign exchange losses/(gains)	18	(12,326)
Non-IFRS adjusted net profit	400,590	346,662

Management Discussion and Analysis

Liquidity and Capital Resources

As of June 30, 2024, the Group had cash and cash equivalents of RMB236.8 million, wealth management products of RMB498.2 million, for a total of RMB735.0 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.

During the six months ended June 30, 2024, the Group's net cash generated from operating activities was RMB350.8 million. Excluding the pre-completion tax paid for the acquired hospitals of RMB17.7 million and the settlement of previous suppliers' payables of RMB96.0 million, the net cash generated from the Group's operating activities amounted to RMB464.5 million.

Investing Activities

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

The Group's net cash used in investing activities decreased by 23.9% to RMB621.8 million for the six months ended June 30, 2024 from RMB817.5 million for the same period in 2023. The decrease in net cash used in investing activities of RMB195.7 million was primarily attributable to (i) the decrease in payments for purchases of property, plant and equipment of RMB215.2 million; (ii) the decrease in the Group's payments for acquisition of subsidiaries of RMB174.7 million; and (iii) the increase in the net cash outflow from disposing and purchasing financial assets at fair value through profit or loss of RMB197.2 million.

Financing Activities

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

The Group's net cash used in financing activities for the six months ended June 30, 2024 was RMB42.0 million, while the net cash generated from financing activities for the six months ended June 30, 2023 was RMB978.0 million. The decrease in net cash generated from financing activities of RMB1,020.0 million was mainly due to (i) the proceeds from the placing completed by the Group in January 2023 of RMB681.7 million; and (ii) the decrease of RMB303.2 million in the net cash inflow from bank borrowings.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2024, there was no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures decreased by 39.0% to RMB338.3 million for the six months ended June 30, 2024 from RMB554.9 million for the same period in 2023.

Management Discussion and Analysis

FINANCIAL POSITION

Total Assets and Total Liabilities

As of June 30, 2024, 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 2.5% to RMB11,004.5 million as of June 30, 2024 from RMB10,734.6 million as of December 31, 2023.

As of June 30, 2024, 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 decreased by 2.8% to RMB4,355.7 million as of June 30, 2024 from RMB4,479.7 million as of December 31, 2023.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories decreased by 3.3% to RMB201.0 million as of June 30, 2024 from RMB207.9 million as of December 31, 2023.

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 10.6% to RMB955.8 million as of June 30, 2024 from RMB864.0 million as of December 31, 2023, primarily due to the increase in the balance of trade receivables as a result of the expansion of the revenue scale.

The Group's other receivables mainly represented deposits receivables. The Group's other receivables decreased by 0.5% to RMB43.7 million as of June 30, 2024 from RMB43.9 million as of December 31, 2023.

The Group's prepayments for current assets mainly represented prepayments to suppliers. The Group's prepayments to suppliers decreased by 8.3% to RMB65.6 million as of June 30, 2024 from RMB71.5 million as of December 31, 2023.

The Group's prepayments for non-current assets included prepayments for property, plant and equipment. Prepayments for property, plant and equipment represent prepaid construction fees to contractors which undertook the construction work of the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for property, plant and equipment increased by 1.7% to RMB141.2 million as of June 30, 2024 from RMB138.8 million as of December 31, 2023.

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 decreased by 0.1% to RMB3,943.5 million as of June 30, 2024 from RMB3,945.8 million as of December 31, 2023.

Management Discussion and Analysis

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 decreased by 7.8% to RMB633.4 million as of June 30, 2024 from RMB687.1 million as of December 31, 2023.

The Group's other payables primarily represented salaries payables, other taxes payables, payables for construction projects, payables of considerations for acquisition of subsidiaries and prepayments received for radiotherapy equipment licensing. The Group's other payables decreased by 14.2% to RMB620.6 million as of June 30, 2024 from RMB723.0 million as of December 31, 2023, primarily due to (i) the decrease in salaries payable of RMB45.4 million; and (ii) the decrease in payables of considerations for acquisition of subsidiaries of RMB44.1 million.

Borrowings

As of June 30, 2024, the Group had outstanding short-term borrowings of RMB487.2 million and long-term borrowings of RMB2,247.9 million. For more details, please refer to Note 23 to the interim financial information.

Pledge of Assets

Except for pledge of property, plant and equipment and equity pledge of certain subsidiaries of the Group mentioned in Note 23 to the interim financial information, the Group had no other pledged assets as of June 30, 2024.

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 12.3% to RMB61.0 million as of June 30, 2024 from RMB54.3 million as of December 31, 2023.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of June 30, 2024 were primarily related to commitments for (i) the construction and renovation of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 4.4% to RMB516.3 million as of June 30, 2024 from RMB494.4 million as of December 31, 2023.

Contingent Liabilities

As of June 30, 2024, 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.

Management Discussion and Analysis

Financial Instruments

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

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report, the Group did not have any future plan for material investments and capital assets as of June 30, 2024.

Debt to Asset Ratio

The debt to asset ratio is calculated as total borrowings divided by total assets and multiplied by 100%. The debt to asset ratio of the Group as at June 30, 2024 was 24.9%, representing a decrease of 0.5 percentage point from that of December 31, 2023.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total equity and multiplied by 100%. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. The gearing ratio of the Group as at June 30, 2024 was 37.6%.

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 are bank deposits denominated in USD and Hong Kong dollars. The monetary assets denominated in foreign currency as of June 30, 2024 amounted to RMB1.2 million, and there is no liability denominated in foreign currency. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2024 would have been RMB35 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, 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.

Management Discussion and Analysis

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 has controls to closely monitor the patients' billings and claim status to minimize the credit risk. For the receivables from the radiotherapy centers and 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.



Management Discussion and Analysis

DIVIDENDS

The Board has resolved not to recommend to declare any dividend for the six months ended June 30, 2024.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2024, the Group had 8,368 full-time employees, among whom 88 were employees at the headquarters level and 8,280 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of June 30, 2024:

Functions	Number of employees	% of total employees
Headquarters level		
Operations	51	0.6
Manufacturing	17	0.2
Management, administrative and others	20	0.2
Sub-total	88	1.0
Self-owned hospitals		
Physicians	2,406	28.8
Other medical professionals	4,641	55.5
Management, administrative and others	1,233	14.7
Sub-total	8,280	99.0
Total	8,368	100.0

The Group believes it has maintained good relationship with its employees. Employees of the Group's in-network hospitals are not represented by a labor union. As of the date of this 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 review their performance. The results of such reviews are used for determining their salary, bonus awards and in promotion appraisals. During the Reporting Period, the Group contributed to social insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations.

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

The unaudited salaries, wages and bonuses of employees but excluding any (i) employer's contribution to retirement benefit plan; (ii) allowances and benefits in kind; and (iii) share-based compensation expenses, were approximately RMB678.1 million for the six months ended June 30, 2024.

Corporate Governance and Other Information

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Company has complied with all the applicable code provisions of the CG Code throughout the six months ended June 30, 2024 (except as disclosed below).

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standard as set out in the Model Code during the six months ended June 30, 2024.

AUDIT COMMITTEE

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



Corporate Governance and Other Information

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters in relation to the unaudited condensed consolidated interim results and the interim report of the Group for the six months ended June 30, 2024 and considered that the interim results and the interim report of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2024 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CHANGES TO DIRECTORS' INFORMATION

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

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

As of June 30, 2024, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares ⁽⁵⁾	Approximate percentage of total issued Shares ⁽⁶⁾
Mr. Zhu ⁽¹⁾⁽²⁾	Interest in a controlled corporation/Interest of concert parties/Beneficial interest	283,560,615 (L)	44.90%
Mr. Ren Ai ⁽³⁾⁽⁴⁾	Interest in a controlled corporation/Interest of spouse/Beneficial interest	283,560,615 (L)	44.90%
Mr. Zhang Wenshan	Beneficial interest	32,235 (L)	0.01%

(b) Share Options granted by the Company

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

Corporate Governance and Other Information

Notes:

- (1) Century River is wholly-owned by Century River Investment, which is in turn wholly-owned by Mr. Zhu. Therefore, Mr. Zhu and Century River Investment are deemed to be interested in the Shares directly held by Century River.
- (2) Pursuant to the concert party confirmation, Mr. Zhu and Ms. Zhu have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. As such, Mr. Zhu and Ms. Zhu, together with Century River, Century River Investment, Red Palm, Amber Tree and Red Palm Investment, are all deemed to be interested in the total Shares directly held by Century River, Red Palm and Amber Tree.
- (3) Mr. Ren Ai wholly-owns Spruce Wood Investment Holdings Limited, and is therefore deemed to be interested in the Shares directly held by Spruce Wood Investment Holdings Limited.
- (4) Mr. Ren Ai is the spouse of Ms. Zhu, and is therefore deemed to be interested in the Shares which are interested by Ms. Zhu.
- (5) The letter "L" denotes the entity's long position in the Shares.
- (6) As of June 30, 2024, 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 our Group.
- (2) Mr. Zhu and his daughter, Ms. Zhu holds 40% and 60% equity interest, respectively, in Xiangshang Investment which in turn holds 100% equity interest in Hygeia Hospital Management, and therefore, Mr. Zhu and Ms. Zhu is deemed to be interested in the equity interest in Hygeia Hospital Management held by Xiangshang Investment.
- (3) Each of the VIE Hospitals is a subsidiary of the Company and therefore, is an associated corporation of the Group.
- (4) Hygeia Hospital Management holds 30% equity interest in each of the VIE Hospitals, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of the VIE Hospitals held by Hygeia Hospital Management.
- (5) The organizer's interest of the Managed Hospital was held by us and Xiangshang Investment as to 70% and 30%, respectively, and therefore the Managed Hospital is an associated corporation of 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.

Corporate Governance and Other Information

Save as disclosed above, as of June 30, 2024, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

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

As of June 30, 2024, 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	283,560,615 (L)	44.90%
Century River ⁽¹⁾⁽³⁾	Interest of concert parties/Beneficial interest	283,560,615 (L)	44.90%
Ms. Zhu ⁽²⁾⁽³⁾⁽⁴⁾	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	283,560,615 (L)	44.90%
Red Palm Investment ⁽²⁾⁽³⁾	Interest in a controlled corporation/Interest of concert parties	283,560,615 (L)	44.90%
Amber Tree ⁽²⁾⁽³⁾	Beneficial interest/Interest of concert parties	283,560,615 (L)	44.90%
Red Palm ⁽²⁾⁽³⁾	Beneficial interest/Interest of concert parties	283,560,615 (L)	44.90%
FIL Limited	Interest in a controlled corporation	31,807,800 (L)	5.04%
Pandanus Associates Inc.	Interest in a controlled corporation	31,807,800 (L)	5.04%
Pandanus Partners L.P.	Interest in a controlled corporation	31,807,800 (L)	5.04%
Brown Brothers Harriman & Co.	Approved lending agent	31,680,287 (L) 31,680,287 (P)	5.02%

Corporate Governance and Other Information

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 and the letter "P" denotes the person's lending pool in the Shares.
- (6) As of June 30, 2024, the total number of issued Shares was 631,524,200.

Save as disclosed above, as of June 30, 2024, 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.

Corporate Governance and Other Information

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 report, 6,800,000 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 1.08% 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.

Corporate Governance and Other Information

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 24 to the interim financial information.

The number of Share Options available for grant under the Share Option Scheme was 10,657,000 and 10,657,000 as of January 1, 2024 and June 30, 2024, 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.



Corporate Governance and Other Information

Category and name of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of exercise/vest	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, 2024	Granted during the Reporting Period	Vested as at June 30, 2024	Exercised during the Reporting Period	Exercise Period	Cancelled/ lapsed/ forfeited during the Reporting Period (Note 4)	Exercise price of cancelled/ lapsed/ forfeited during the Reporting Period	Outstanding as at June 30, 2024	Vesting date (Note 3)	Performance targets
Directors or chief executive and their associate															
Mr. Zhu Ywen	November 12, 2021	HK\$66.80	HK\$66.05	–	HK\$6,740,146	224,000	–	56,000	–	10 years	–	–	168,000	(Note 1)	–
Ms. Cheng Huanhuan	November 12, 2021	HK\$66.80	HK\$66.05	–	HK\$1,925,756	64,000	–	16,000	–	10 years	–	–	48,000	(Note 1)	–
Mr. Ren Ai	November 12, 2021	HK\$66.80	HK\$66.05	–	HK\$2,888,634	96,000	–	24,000	–	10 years	–	–	72,000	(Note 1)	–
Mr. Zhang Wenshan	November 12, 2021	HK\$66.80	HK\$66.05	–	HK\$1,444,317	48,000	–	12,000	–	10 years	–	–	36,000	(Note 1)	–
Ms. Jiang Hui	November 12, 2021	HK\$66.80	HK\$66.05	–	HK\$1,444,317	48,000	–	12,000	–	10 years	–	–	36,000	(Note 1)	–
Sub-total						480,000	–	120,000	–	–	–	–	360,000		
Substantial shareholders and their associates															
Participants with options in excess of 1% individual limit															
Related entity participants or service providers with options granted and to be granted during the year exceeding 0.1% individual limited															
Other employees participants (in aggregate)															
557 employees	November 12, 2021	HK\$66.80	HK\$66.05	–	HK\$153,656,830	5,218,400	–	1,166,000	–	10 years	304,200	–	3,748,200	(Note 2)	–
Sub-total						5,218,400	–	1,166,000	–	–	304,200	–	3,748,200		
Other related entity participants															
Other service providers															
Total						5,698,400	–	1,286,000	–	–	304,200	–	4,108,200		

Notes:

Note 1

As of June 30, 2024, 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.

Corporate Governance and Other Information

Note 2

As of June 30, 2024, the vesting dates of the Share Options granted to the employees are as follows:

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

Note 3

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

Note 4

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

Note 5

The fair value of Share Options at the date of grant has been prepared in accordance with all applicable IFRS and the disclosure requirements of Hong Kong Companies Ordinance Cap. 622. For details of the basis of calculation, please refer to Note 24 to the interim financial information.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury Shares (as defined in the Listing Rules)). As of the end of the Reporting Period, the Company did not hold any treasury Shares.

EVENT AFTER THE REPORTING PERIOD

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



Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF HYGEIA HEALTHCARE HOLDINGS CO., LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 39 to 83, which comprises the interim condensed consolidated statement of financial position of Hygeia Healthcare Holdings Co., Limited (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 29, 2024

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited Six months ended June 30,	
		2024 RMB'000	2023 RMB'000
Revenue	5	2,381,880	1,759,486
Cost of revenue	5, 8	(1,625,441)	(1,188,657)
Gross profit		756,439	570,829
Selling expenses	8	(29,477)	(16,506)
Administrative expenses	8	(237,823)	(179,727)
Other income	6	21,933	31,004
Other gains-net	7	2,590	14,049
Operating profit		513,662	419,649
Finance income	10	797	9,709
Finance costs	10	(37,626)	(17,001)
Finance costs-net		(36,829)	(7,292)
Profit before income tax		476,833	412,357
Income tax expense	11	(91,659)	(77,462)
Profit and total comprehensive income for the period		385,174	334,895
Profit and total comprehensive income attributable to			
— Owners of the Company		384,571	334,136
— Non-controlling interests		603	759
Earnings per share			
— Basic earnings per share (in RMB)	12	0.61	0.53
— Diluted earnings per share (in RMB)	12	0.61	0.53

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

Interim Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	Unaudited As at June 30, 2024 RMB'000	Audited As at December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,855,132	4,630,468
Intangible assets	14	3,943,525	3,945,827
Prepayments for non-current assets	17	141,248	138,790
Deferred income tax assets	15	46,271	43,888
Total non-current assets		8,986,176	8,758,973
Current assets			
Inventories	16	200,994	207,942
Trade, other receivables and prepayments	17	1,065,067	979,396
Amounts due from related parties	31	17,213	20,255
Financial assets at fair value through profit or loss	18	498,236	206,151
Restricted cash	19	—	12,104
Cash and cash equivalents	19	236,784	549,742
Total current assets		2,018,294	1,975,590
Total assets		11,004,470	10,734,563
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	7,634,348	7,634,348
Other reserves	21	(2,796,487)	(2,805,189)
Retained earnings	22	1,788,608	1,404,037
		6,626,469	6,233,196
Non-controlling interests		22,281	21,678
Total equity		6,648,750	6,254,874

Interim Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	Unaudited As at June 30, 2024 RMB'000	Audited As at December 31, 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	2,247,886	2,318,992
Deferred income tax liabilities	15	182,191	168,409
Deferred revenue	25	35,687	36,084
Lease liabilities	26	2,194	2,437
Other non-current liabilities	27	9,518	9,620
Total non-current liabilities		2,477,476	2,535,542
Current liabilities			
Trade and other payables	28	1,253,921	1,410,054
Contract liabilities	29	61,016	54,258
Current income tax liabilities		75,235	76,677
Lease liabilities	26	890	793
Borrowings	23	487,182	402,365
Total current liabilities		1,878,244	1,944,147
Total liabilities		4,355,720	4,479,689
Total equity and liabilities		11,004,470	10,734,563

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

The interim condensed consolidated financial information on pages 39 to 83 was approved by the board of directors on August 29, 2024 and was signed on its behalf:

Zhu Yiwen
Director

Ren Ai
Director



Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital and share premium	Other reserves	Retained earnings	Total			
Notes	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 22)	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2024		7,634,348	(2,805,189)	1,404,037	6,233,196	21,678	6,254,874
Comprehensive income							
Profit for the period		–	–	384,571	384,571	603	385,174
Total comprehensive income for the period		–	–	384,571	384,571	603	385,174
Transactions with owners in their capacity as owners							
Share-based compensation	24	–	8,702	–	8,702	–	8,702
Total transactions with owners in their capacity as owners		–	8,702	–	8,702	–	8,702
Balance at June 30, 2024		7,634,348	(2,796,487)	1,788,608	6,626,469	22,281	6,648,750

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

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Notes	Share capital and share premium	Other reserves	Retained earnings	Total		
	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 22)	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2023		7,047,087	(2,851,903)	738,573	4,933,757	6,306	4,940,063
Comprehensive income							
Profit for the period		—	—	334,136	334,136	759	334,895
Total comprehensive income for the period		—	—	334,136	334,136	759	334,895
Transactions with owners in their capacity as owners							
Issue of shares upon placing		681,740	—	—	681,740	—	681,740
Share-based compensation	24	—	19,714	—	19,714	—	19,714
Dividends		(94,729)	—	—	(94,729)	—	(94,729)
Non-controlling interests arising from business combination		—	—	—	—	13,352	13,352
Total transactions with owners in their capacity as owners		587,011	19,714	—	606,725	13,352	620,077
Balance at June 30, 2023		7,634,098	(2,832,189)	1,072,709	5,874,618	20,417	5,895,035

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

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended June 30	
		2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations		431,694	410,118
Interest received		797	9,709
Income tax paid		(81,702)	(69,697)
Net cash generated from operating activities		350,789	350,130
Cash flows from investing activities			
Purchases of property, plant and equipment		(330,755)	(545,954)
Proceeds from disposal of property, plant and equipment and intangible assets		280	10,688
Purchases of intangible assets		(7,563)	(8,955)
Payments for acquisition of subsidiaries, net of cash acquired		(10,314)	(184,991)
Payments for purchases of financial assets at fair value through profit or loss	3	(975,000)	(1,063,931)
Proceeds from disposals of financial assets at fair value through profit or loss	3	689,487	975,658
Decrease in restricted cash		12,104	—
Net cash used in investing activities		(621,761)	(817,485)
Cash flows from financing activities			
Proceed from issue of shares upon placing	20	—	681,740
Borrowing interest paid		(55,436)	(18,630)
Repayments of bank borrowings		(302,041)	(965,645)
Proceeds from bank borrowings		315,752	1,282,587
Payments of lease liabilities, including interest	26	(243)	(2,009)
Net cash (used in)/generated from financing activities		(41,968)	978,043
Net (decrease)/increase in cash and cash equivalents		(312,940)	510,688
Effect on exchange rate difference		(18)	10,116
Cash and cash equivalents at beginning of the period		549,742	853,768
Cash and cash equivalents at end of the period		236,784	1,374,572

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

Notes to the Interim Financial Information

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

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

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

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

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

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

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

1.2 Basis of preparation

This interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim financial information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards ("IFRS"), and any public announcements made by the Company during the six months ended June 30, 2024.

Notes to the Interim Financial Information

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2023, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

The preparation of interim financial information in conformity with International Accounting Standard 34 “Interim Financial Reporting” requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are disclosed in Note 4.

2.1 New standards and amendments to IFRSs effective for the financial year beginning on or after January 1, 2024

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024

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

2.2 New amendments not yet been adopted

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

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2023 of the Group. There were no significant changes in any material risk management policies during the six months ended June 30, 2024.

3.1.1 Market risk

(i) Cash flow and fair value interest rate risk

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

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

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

	As at June 30, 2024		As at December 31, 2023	
	RMB'000 (Unaudited)	% of total borrowings	RMB'000 (Audited)	% of total borrowings
Floating-rate borrowings	1,792,060	66%	1,492,639	55%
Fixed-rate borrowings – repricing or maturity dates:				
– Within 1 year	376,070	14%	270,403	10%
– Between 1 and 2 years	252,010	9%	88,867	3%
– Between 2 and 5 years	314,928	11%	636,206	23%
– Over 5 years	–	0%	233,242	9%
	2,735,068	100%	2,721,357	100%

As at June 30, 2024, borrowings of the Group which were bearing at floating rates amounted to approximately RMB1,792,060,000 (December 31, 2023: approximately RMB1,492,639,000). For the six months ended June 30, 2024, if the floating interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the pre-tax profit would have been RMB8,960,000 lower/higher (for the year ended December 31, 2023: RMB7,463,000 lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Liquidity risk

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

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

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying Amount <i>RMB'000</i>
As at June 30, 2024						
(Unaudited)						
Trade and other payables excluding non-financial liabilities	906,297	—	—	—	906,297	906,297
Lease liabilities	1,041	918	1,462	—	3,421	3,084
Borrowings	626,737	569,477	1,729,665	233,982	3,159,861	2,735,068
Total	1,534,075	570,395	1,731,127	233,982	4,069,579	3,644,449
As at December 31, 2023						
(Audited)						
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

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents and restricted cash ("Net Debt"). As at June 30, 2024 and December 31, 2023, the gearing ratio of the Group were as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Net debt	2,501,368	2,162,741
Total equity	6,648,750	6,254,874
Gearing ratio	38%	35%

(b) Loan covenants

Under the terms of the Group's major bank loans, which have a total carrying amount of approximately RMB1,748,258,000 (December 31, 2023: approximately RMB1,752,008,000), 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 six months ended June 30, 2024 and the year ended December 31, 2023.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

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

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

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

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

As at June 30, 2024 and December 31, 2023, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the six months ended June 30, 2024 and the year ended December 31, 2023.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2024 and the year ended December 31, 2023.

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.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Balance at beginning of the period	206,151	30,946
Additions	975,000	1,063,931
Changes in fair value	6,572	6,581
Disposals	(689,487)	(975,658)
Balance at end of the period	498,236	125,800

The unobservable inputs of wealth management products and structured deposit products are expected return rate and discounted rate. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rate of the investments in wealth management products and structured deposit products with floating rate range from 1.7% to 4.1% for the six months ended June 30, 2024 (six months ended June 30, 2023: 2.2% to 3.1%). If the fair value of financial assets at FVPL held by the Group had been 1% higher/lower, the pre-tax profit for the six months ended June 30, 2024 would have been approximately RMB4,982,000 higher/lower (six months ended June 30, 2023: approximately RMB1,258,000).

The carrying amounts of the Group's financial assets, including cash and cash equivalents, 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.

Notes to the Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual financial statements of the Group for the year ended December 31, 2023.

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

- Hospital Business; and
- Other Business.

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

The following items are not allocated to individual operating segments:

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

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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Unaudited Six months ended June 30, 2024			
	Hospital Business RMB'000	Other Business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	2,307,457	74,423	—	2,381,880
Cost of revenue	(1,589,482)	(35,959)	—	(1,625,441)
Gross profit	717,975	38,464	—	756,439
Selling expenses	(29,477)	—	—	(29,477)
Administrative expenses	(196,759)	(7,125)	(33,939)	(237,823)
Other income	21,886	47	—	21,933
Other (losses)/gains — net	(1,481)	(1,953)	6,024	2,590
Segment profit	512,144	29,433	(27,915)	513,662
Finance income				797
Finance costs				(37,626)
Finance costs — net				(36,829)
Profit before income tax				476,833
Other segment information				
Depreciation of property, plant, and equipment	123,350	6,344	323	130,017
Amortization of intangible assets	8,855	350	660	9,865

Notes to the Interim Financial Information

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Hospital Business <i>RMB'000</i>	Other Business <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
As at June 30, 2024 (Unaudited)				
Assets				
Segment Assets	10,115,488	197,009	645,702	10,958,199
Deferred income tax assets				46,271
Total Assets				11,004,470
Liabilities				
Segment Liabilities	3,857,980	246,976	68,573	4,173,529
Deferred income tax liabilities				182,191
Total Liabilities				4,355,720
As at December 31, 2023 (Audited)				
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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business lines and nature

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Hospital Business		
— Outpatient services	812,840	543,220
— Inpatient services	1,494,617	1,138,536
Other Business	74,423	77,730
Total revenue	2,381,880	1,759,486
Including revenue from contracts with customers	2,363,797	1,739,880

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
— Inpatient services	92,192	79,320
— Other Business	36,939	37,231
Over time	129,131	116,551
— Inpatient services	1,402,425	1,059,216
— Outpatient services	812,840	543,220
— Other Business	19,401	20,893
At a point in time	2,234,666	1,623,329
Revenue from contracts with customers	2,363,797	1,739,880

(c) Geographical information

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

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the six months ended June 30, 2024 and 2023.

Notes to the Interim Financial Information

6 OTHER INCOME

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government grants	15,980	29,649
Others	5,953	1,355
	21,933	31,004

7 OTHER GAINS — NET

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Realised and unrealised gains on financial assets at FVPL	6,572	6,581
Losses on disposal of property, plant and equipment	(1,281)	(1,665)
Net foreign exchange (losses)/gains	(18)	12,255
Others	(2,683)	(3,122)
	2,590	14,049



Notes to the Interim Financial Information

8 EXPENSES BY NATURE

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefit expenses (Note 9)	765,915	589,777
Cost of pharmaceuticals, medical consumables and other inventories	726,821	503,021
Depreciation and amortization	139,882	89,537
Consultancy and professional service fees	49,046	52,236
Utilities, cleaning and afforestation expenses	46,852	36,750
Radiotherapy service fees	39,015	36,298
Travelling, entertainment, vehicle and office expenses	26,160	20,428
Taxation expenses	20,493	12,512
Marketing and promotion	17,113	5,364
Repair and maintenance	14,257	6,272
Rental expenses (Note 26)	2,271	971
Auditor's remuneration		
– Audit and audit related service	900	1,100
– Non-audit	—	—
Other expenses	44,016	30,624
	1,892,741	1,384,890

9 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analysed as follows:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, wages and bonuses	678,136	512,914
Employer's contribution to retirement benefit plan (a)	34,620	24,623
Allowances and benefits in kind	44,457	32,526
Share-based compensation expenses	8,702	19,714
	765,915	589,777

(a) The Group has participated in:

- (i) Certain defined contribution retirement benefit plans organised by the local governments in the PRC for its employees in the PRC. The Group is required to make monthly defined contributions to these plans based on certain percentage of the basic salary of employees and there is no available forfeiture to the Group to reduce the level of the Group's contributions if the employees resigned from the Group; and
- (ii) 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 contributions were utilised during the six months ended June 30, 2024 (the six months ended June 30, 2023: no utilised) and leaving RMB104,000 available at June 30, 2024 to reduce future contributions. As at June 30, 2024, no contribution was payable to the Corporate Pension Plan (December 31, 2023: nil).

Notes to the Interim Financial Information

10 FINANCE COSTS – NET

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income:		
Interest income of bank savings	797	9,709
Finance costs:		
Interest on borrowings	(51,589)	(27,927)
Interest expenses on leasing liabilities	(97)	(133)
	(51,686)	(28,060)
Amount capitalised (i)	14,060	11,059
Finance costs expensed	(37,626)	(17,001)
Finance costs – net	(36,829)	(7,292)

(i) The capitalisation rate of the Group's general borrowings during the six months ended June 30, 2024 was 4.06% (the six months ended June 30, 2023: 4.71%).

11 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	80,260	66,222
Deferred income tax (Note 15)	11,399	11,240
	91,659	77,462

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.

Notes to the Interim Financial Information

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

Hong Kong

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

PRC corporate income tax ("CIT")

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

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

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("Gamma Star Tech"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years, 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 six months ended June 30, 2024 and 2023. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech is expected to qualify as a "High and New Technology Enterprise" after the expire date and thus is expected to further be subjected to a 15% preferential tax rate.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at June 30, 2024, 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 RMB2,225,012,000 (as at December 31, 2023: RMB1,767,972,000). 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.

Notes to the Interim Financial Information

11 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of income tax expense

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit before income tax	476,833	412,357
Tax calculated at applicable tax rate of 25%	119,208	103,089
Effect of differential tax rates	(31,225)	(31,920)
Items not deductible for tax purposes	4,656	7,046
Additional deduction on research and development expenses	(980)	(753)
	91,659	77,462

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2024 and 2023.

	Six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	384,571	334,136
Weighted average number of shares in issue	631,524,200	630,701,978
Basic earnings per share (in RMB)	0.61	0.53

(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 24). For the six months ended June 30, 2024 and 2023, the outstanding share options issued under the Company's share option scheme are dilutive potential ordinary shares. During the six months ended June 30, 2024 and 2023, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the six months ended June 30, 2024 and 2023 are the same as basic earnings per share.

Notes to the Interim Financial Information

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Right-of- use for properties RMB'000	Right-of-use for lands RMB'000	Medical equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2023									
(Audited):									
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
Six months ended June 30, 2024 (Unaudited):									
Opening net book amount	2,177,790	3,752	767,804	877,980	7,065	55,844	61,564	678,669	4,630,468
Additions	74,628	–	1,544	117,612	1,644	13,164	4,918	145,226	358,736
Transfers upon completion	189,125	–	–	13,365	–	–	–	(202,490)	–
Disposals	(313)	–	–	(1,173)	(35)	(40)	–	–	(1,561)
Depreciation	(31,551)	(570)	(9,485)	(71,801)	(1,410)	(8,886)	(8,808)	–	(132,511)
Closing net book amount	2,409,679	3,182	759,863	935,983	7,264	60,082	57,674	621,405	4,855,132
At June 30, 2024 (Unaudited):									
Cost	2,590,352	15,488	834,789	1,337,900	18,855	127,458	92,730	621,405	5,638,977
Accumulated depreciation	(180,673)	(12,306)	(74,926)	(401,917)	(11,591)	(67,376)	(35,056)	–	(783,845)
Closing net book amount	2,409,679	3,182	759,863	935,983	7,264	60,082	57,674	621,405	4,855,132

Notes to the Interim Financial Information

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The Group's borrowings as at June 30, 2024 of RMB816,793,000 (December 31, 2023: RMB785,748,000) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of RMB969,596,000 (December 31, 2023: RMB751,882,000).

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of sales	92,918	56,801
Administrative expenses	37,099	25,650
Capitalization	2,494	1,879
	132,511	84,330

Notes to the Interim Financial Information

14 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Contractual rights to provide management services RMB'000	Medical licenses RMB'000	Total RMB'000
At December 31, 2023 (Audited):					
Cost	3,724,449	62,435	27,920	183,398	3,998,202
Accumulated amortization	—	(26,589)	(8,725)	(17,061)	(52,375)
Net book amount	3,724,449	35,846	19,195	166,337	3,945,827
Six months ended June 30, 2024 (Unaudited):					
Opening net book amount	3,724,449	35,846	19,195	166,337	3,945,827
Additions	—	7,563	—	—	7,563
Amortization	—	(6,263)	(349)	(3,253)	(9,865)
Net book amount	3,724,449	37,146	18,846	163,084	3,943,525
At June 30, 2024 (Unaudited):					
Cost	3,724,449	69,998	27,920	183,398	4,005,765
Accumulated amortization	—	(32,852)	(9,074)	(20,314)	(62,240)
Net book amount	3,724,449	37,146	18,846	163,084	3,943,525
At December 31, 2022 (Audited):					
Cost	2,235,276	40,673	27,920	115,899	2,419,768
Accumulated amortization	—	(15,904)	(8,027)	(11,987)	(35,918)
Net book amount	2,235,276	24,769	19,893	103,912	2,383,850
Six months ended June 30, 2023 (Unaudited):					
Opening net book amount	2,235,276	24,769	19,893	103,912	2,383,850
Additions	—	8,955	—	—	8,955
Acquisition of subsidiaries	160,431	2,010	—	20,300	182,741
Amortization	—	(4,551)	(349)	(2,186)	(7,086)
Net book amount	2,395,707	31,183	19,544	122,026	2,568,460
At June 30, 2023 (Unaudited):					
Cost	2,395,707	51,638	27,920	136,199	2,611,464
Accumulated amortization	—	(20,455)	(8,376)	(14,173)	(43,004)
Net book amount	2,395,707	31,183	19,544	122,026	2,568,460

Notes to the Interim Financial Information

14 INTANGIBLE ASSETS (CONTINUED)

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of sales	3,602	3,958
Administrative expenses	6,263	3,128
	9,865	7,086

15 DEFERRED INCOME TAX

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Deferred tax assets		
– to be realised within 12 months	22,329	24,428
– to be realised after 12 months	59,956	49,136
	82,285	73,564
Deferred tax liabilities		
– to be realised within 12 months	11,150	13,058
– to be realised after 12 months	207,055	185,027
	218,205	198,085

Notes to the Interim Financial Information

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Tax losses	71,650	53,643
Provisions	2,636	6,221
Unrealised profits of intra-group transaction	7,999	13,700
Total deferred tax assets	82,285	73,564
Set-off of deferred tax liabilities pursuant to set-off provisions	(36,014)	(29,676)
Net deferred tax assets	46,271	43,888

Notes to the Interim Financial Information

15 DEFERRED INCOME TAX (CONTINUED)

(i) **Deferred tax assets (Continued)**

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

	Tax losses <i>RMB'000</i>	Provisions <i>RMB'000</i>	Unrealised profits of intra-group transaction <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2023 (Audited)	53,643	6,221	13,700	73,564
– Credit/(charged) to profit or loss	18,007	(3,585)	(5,701)	8,721
At June 30, 2024 (Unaudited)	71,650	2,636	7,999	82,285
At December 31, 2022 (Audited)	38,586	8,379	14,110	61,075
– Acquisition of subsidiaries	1,892	–	–	1,892
– Credit/(charged) to profit or loss	2,623	(4,270)	(2,822)	(4,469)
At June 30, 2023 (Unaudited)	43,101	4,109	11,288	58,498

(ii) **Deferred tax liabilities**

The analysis of deferred tax liabilities is as follows:

	As at June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2023 <i>RMB'000</i> <i>(Audited)</i>
The balance comprises temporary differences attributable to:		
Intangible assets	33,984	34,643
Property, plant and equipment	184,221	163,442
Total deferred tax liabilities	218,205	198,085
Set-off of deferred tax assets pursuant to set-off provisions	(36,014)	(29,676)
Net deferred tax liabilities	182,191	168,409

Notes to the Interim Financial Information

15 DEFERRED INCOME TAX (CONTINUED)

(ii) Deferred tax liabilities (continued)

	Property, plant and equipment <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2023 (Audited)	163,442	34,643	198,085
— Charged/(credit) to profit or loss	20,779	(659)	20,120
At June 30, 2024 (Unaudited)	184,221	33,984	218,205
At December 31, 2022 (Audited)	134,200	22,683	156,883
— Acquisition of subsidiaries	1,378	5,075	6,453
— Charged/(credit) to profit or loss	7,257	(486)	6,771
At June 30, 2023 (Unaudited)	142,835	27,272	170,107

16 INVENTORIES

	As at June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2023 <i>RMB'000</i> <i>(Audited)</i>
Pharmaceuticals	135,779	144,030
Medical consumables	53,036	51,661
Spare parts	12,179	12,251
	200,994	207,942

Notes to the Interim Financial Information

17 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Included in current assets		
Trade receivables	955,837	863,969
Other receivables		
– Deposit receivables	16,375	15,850
– Others	27,291	28,043
	43,666	43,893
Prepayments to suppliers	65,564	71,534
	1,065,067	979,396
Included in non-current assets		
Prepayments for property, plant and equipment	141,248	138,790
	1,206,315	1,118,186

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Within 90 days	664,022	550,418
91 to 180 days	146,517	146,751
181 to 365 days	99,366	132,534
1 to 2 years	34,992	28,791
2 to 3 years	9,130	4,446
3 to 4 years	1,373	789
4 to 5 years	437	240
	955,837	863,969

The Group's trade receivables were denominated in RMB.

Notes to the Interim Financial Information

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Structured deposit products	—	100,024
Wealth management products	498,236	106,127
	498,236	206,151

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

19 CASH AND CASH EQUIVALENTS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Cash at bank and in hand	236,784	561,846
Less: restricted cash	—	(12,104)
Cash and cash equivalents	236,784	549,742

Cash and cash equivalents were denominated in the following currencies:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
RMB	235,560	548,583
USD	690	948
HKD	534	211
	236,784	549,742

Notes to the Interim Financial Information

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Unaudited		Share premium RMB'000
		Nominal value of shares USD	Equivalent nominal value of shares RMB'000	
Authorised:				
At January 1, 2023, June 30, 2023, January 1, 2024 and June 30, 2024	5,000,000,000	50,000	—	—
Issued and fully paid:				
At January 1, 2024 and June 30, 2024	631,524,200	6,315	43	7,634,305
Issued and fully paid:				
At January 1, 2023	616,724,200	6,167	42	7,047,045
Issue of shares upon placing	14,800,000	148	1	681,739
Dividend payable	—	—	—	(94,729)
At June 30, 2023	631,524,200	6,315	43	7,634,055

Notes to the Interim Financial Information

21 OTHER RESERVES

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At the beginning of the period	(2,805,189)	(2,851,903)
Share-based compensation expenses (Note 9)	8,702	19,714
At the end of the period	(2,796,487)	(2,832,189)

22 RETAINED EARNINGS

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At the beginning of the period	1,404,037	738,573
Profit for the period	384,571	334,136
At the end of the period	1,788,608	1,072,709

Notes to the Interim Financial Information

23 BORROWINGS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Bank borrowings	2,732,985	2,715,307
Included in non-current liabilities:		
– Long-term bank borrowings-secured (i)	2,377,986	2,191,015
– Long-term bank borrowings-unsecured	45,000	312,292
Less: current portion	(175,100)	(184,450)
	2,247,886	2,318,857
Included in current liabilities:		
– Short-term bank borrowings-unsecured	309,999	212,000
– Current portion of non-current liabilities	175,100	184,450
	485,099	396,450
Other borrowings	2,083	6,050
Included in non-current liabilities:		
– Long-term other borrowings-secured (i)	2,083	6,050
Less: current portion	(2,083)	(5,915)
	—	135
Included in current liabilities:		
– Current portion of non-current liabilities	2,083	5,915
Total	2,735,068	2,721,357

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

	As at June 30, 2024 RMB'000	As at December 31, 2023 RMB'000
Pledged by property, plant and equipment (Note 13)	816,793	785,748
Secured by equity pledge of certain subsidiaries of the Group	1,563,276	1,411,317
	2,380,069	2,197,065

The Group's bank and other borrowings as at June 30, 2024 of RMB816,793,000 (December 31, 2023: RMB785,748,000) were secured by certain buildings, right-of-use for lands and constructions in progress of the Group with total carrying values of RMB969,596,000(December 31, 2023: RMB751,882,000).

The Group's bank and other borrowings as at June 30, 2024 of RMB1,563,276,000 (December 31, 2023: RMB1,411,317,000) 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 Co., Ltd..

Notes to the Interim Financial Information

23 BORROWINGS (CONTINUED)

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

	As at June 30, 2024	As at December 31, 2023
Borrowings	3.78%	4.02%

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

	As at June 30, 2024 RMB'000	As at December 31, 2023 RMB'000
Fixed-rate borrowings	943,008	1,228,718
Floating-rate borrowings	1,792,060	1,492,639
	2,735,068	2,721,357

- (c) The carrying amounts of the bank and other borrowings approximated their fair values as at June 30, 2024 as the impact of discounting of borrowings with fixed interest rates was not significant.

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Within 1 year	487,182	402,365
Between 1 and 2 years	413,133	256,709
Between 2 and 5 years	1,611,952	1,829,041
Over 5 years	222,801	233,242
	2,735,068	2,721,357

Notes to the Interim Financial Information

23 BORROWINGS (CONTINUED)

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

	As at June 30, 2024 RMB'000	As at December 31, 2023 RMB'000
RMB	2,735,068	2,721,357
	2,735,068	2,721,357

(f) **Compliance with loan covenants**

The Group complied with the financial covenants of its borrowing facilities for the six months ended June 30, 2024 and 2023.

24 SHARE-BASED COMPENSATION EXPENSE

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

Notes to the Interim Financial Information

24 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the Grant Date and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Performance targets are set out for each batch of granted Share Options and determined annually by the Board. Details of the Share Options were disclosed in the Company announcement dated November 12, 2021. As at June 30, 2024, 2,738,800 share options of the Company were vested and 1,012,000 share options were forfeited due to dismissal of the eligible person. Set out below are summaries of options movements under the plan:

	2024		2023	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at January 1	HKD66.80	7,151,200	HKD66.80	7,338,000
Forfeited during the period	HKD66.80	(304,200)	HKD66.80	(66,000)
As at June 30	HKD66.80	6,847,000	HKD66.80	7,272,000
Including: vested and exercisable at June 30	HKD66.80	2,738,800	HKD66.80	1,452,800

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

Notes to the Interim Financial Information

24 SHARE-BASED COMPENSATION EXPENSE (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 a total of RMB8,702,000 share-based compensation expenses in the interim condensed consolidated statement of comprehensive income for the six months ended June 30, 2024 for the aforesaid Share Options (six months ended June 30, 2023: RMB19,714,000).

25 DEFERRED REVENUE

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Government grants	35,687	36,084
To be realised within 12 months	1,018	587
To be realised after more than 12 months	34,669	35,497
Total	35,687	36,084

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

Notes to the Interim Financial Information

26 LEASE LIABILITIES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	1,041	971
– Between 1 and 2 years	918	941
– Between 2 and 5 years	1,462	1,752
	3,421	3,664
Less: future finance charges	(337)	(434)
Present value of lease liabilities	3,084	3,230
– Within 1 year	890	793
– Between 1 and 2 years	814	814
– Between 2 and 5 years	1,380	1,623
	3,084	3,230
	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Interest expenses (included in finance costs-net) (Note 10)	97	133
Variable terms lease expenditure for equipment	381	553
Short-term lease expenditure	1,890	418
	2,271	971
Cash outflow for lease payments	243	2,009
Cash outflow for short-term lease and variable terms lease (Note 8)	2,271	971
	2,514	2,980

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

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

Notes to the Interim Financial Information

27 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Provision for asset retirement obligations	9,518	9,620

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

28 TRADE AND OTHER PAYABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade payables (a)	633,367	687,100
Salaries payable	309,712	355,066
Payables for construction projects	176,266	161,547
Other taxes payable	22,148	43,674
Payables of considerations for acquisition equity interest of subsidiaries (b)	21,071	65,171
Payables of surcharge for tax overdue payments	10,168	7,578
Prepayments received for radiotherapy equipment licensing	5,596	6,430
Deposits payable	4,337	7,543
Others	71,256	75,945
	1,253,921	1,410,054

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
0 to 90 days	469,585	479,403
91 to 180 days	74,959	129,778
181 to 365 days	36,172	45,316
Over 1 year	52,651	32,603
	633,367	687,100

Notes to the Interim Financial Information

28 TRADE AND OTHER PAYABLES (CONTINUED)

(b) On July 25, 2023, the Group entered into an acquisition agreement to acquire, (i) the entire issued share capital of Datang Healthcare Corporation Limited, which holds 70% equity interest in Chang'an Hospital, and (ii) 30% equity interest in Chang'an Hospital directly. The total consideration of the above transactions is RMB1,660,000,000, where the fair values of the identifiable assets and liabilities thereof had been determined provisionally.

In early 2024, the Group finalised the fair values of the identifiable assets and liabilities with a reduction in the provisional fair value of the net identifiable assets of RMB32,446,000. Accordingly, the Group entered into a supplementary acquisition agreement to reduce the total consideration of RMB32,446,000 on April 2, 2024.

29 CONTRACT LIABILITIES

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Hospital Business		
– Outpatient services	22,457	26,049
– Inpatient services	20,925	17,448
Other Business	17,634	10,761
	61,016	54,258

30 DIVIDENDS

The board of directors of the Company did not propose to declare any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the six months ended June 30, 2024 and 2023:

Name of related parties	Relationship with the Group
Mr. Zhu	Controlling shareholder
Ji Hairong (季海榮)	Spouse of Mr. Zhu
Zhu Jianqiao (朱劍喬, "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

(b) Key management compensation

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

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, wages and bonus	1,264	1,302
Employer's contribution to retirement benefit plan	140	150
Allowances and benefits in kind	132	148
Share-based compensation expenses	1,326	2,131
	2,862	3,731

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Recurring transactions		
Other Business Revenue		
— Handan Renhe Hospital	10,226	5,574
	10,226	5,574
Depreciation on right-of-use assets and interest expenses on lease liabilities		
— Ms. Zhu	—	505
— Shanghai Rongqiao Biotechnology Co., Ltd.	—	384
— Ji Hairong	14	12
	14	901

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

(d) Balances with related parties

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Amounts due from related parties		
Trade		
— Handan Renhe Hospital	17,213	20,255
Amounts due to related parties		
Lease liabilities to		
— Ji Hairong	27	53
	27	53

As at June 30, 2024 and December 31, 2023, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

Notes to the Interim Financial Information

32 COMMITMENTS

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Property, plant and equipment	515,411	493,891
Intangible assets	883	530
	516,294	494,421

33 CONTINGENT LIABILITIES

As at June 30, 2024, the Group did not have any material contingent liabilities.

34 SUBSEQUENT EVENT

There have been no significant events subsequent to June 30, 2024 that would require adjustments to, or additional disclosure in the interim financial information.

Definitions and Glossaries

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

“Amber Tree”	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Century River”	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders
“Century River Investment”	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders
“CG Code”	the Corporate Governance Code as set out in Appendix 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
“China” or “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“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

Definitions and Glossaries

“Company”	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
“Dezhou Hygeia Hospital”	Dezhou Hygeia Hospital Co., Ltd.* (德州海吉亞醫院有限公司) (formerly known as Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司)), a limited liability company established in the PRC on December 18, 2019 and a subsidiary of the Company
“Directors”	director(s) of the Company
“Existing Contractual Arrangements”	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals before and after the Listing of the Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, an Independent Third Party
“Gamma Star Tech”	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a subsidiary of the Company
“Group”, “we” or “us”	the Company together with its subsidiaries
“Hezhou Guangji Hospital”	Hezhou Guangji Hospital Co., Ltd.* (賀州廣濟醫院有限公司), a limited liability company established under the laws of the PRC on March 4, 2020 and a subsidiary of the Company
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hygeia Hospital Management”	Hygeia (Shanghai) Hospital Management Co., Ltd.* (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company
“IFRS”	International Financial Reporting Standards

Definitions and Glossaries

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Kaiyuan Jiehua Hospital”	Kaiyuan Jiehua Hospital Co., Ltd. * (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021 and a subsidiary of the Company
“Liaocheng Hygeia Hospital”	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Longyan Boai Hospital”	Longyan Boai Hospital Co., Ltd.* (龍巖市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange
“Managed Hospital”	Handan Renhe Hospital* (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011
“Model Code”	the Model Code for Securities 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
“oncology”	the branch of medicine that deals with cancer
“Prospectus”	the prospectus of the Company published on June 16, 2020
“public medical insurance programs”	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)

Definitions and Glossaries

“radiotherapy”	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
“radiotherapy center services”	the services the Group provides to certain hospital partners in connection with their radiotherapy centers, which are primarily composed of (i) provision of radiotherapy center consulting services; (ii) licensing of the Group’s proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the Group’s proprietary SRT equipment
“Red Palm”	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
“Red Palm Investment”	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
“Reporting Period”	from January 1, 2024 to June 30, 2024
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Shanxian Hygeia Hospital”	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Shares
“SRT”	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Definitions and Glossaries

“Suzhou Canglang Hospital”	Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
“Suzhou Yongding Hospital”	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit Class II general hospital in Suzhou and a subsidiary of the Company
“VIE Hospitals”	the hospitals that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements from time to time
“Wuxi Hygeia Hospital”	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
“Xiangshang Investment”	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
“Yixing Hygeia Hospital”	Yixing Hygeia Hospital Co., Ltd.* (宜興海吉亞醫院有限公司), a limited liability company incorporated under the laws of the PRC on April 6, 2023
“%”	per cent

* For identification purpose only

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