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## **Hygeia Healthcare Holdings Co., Limited**

**海吉亚医疗控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6078)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024**

#### **FINANCIAL HIGHLIGHTS**

Revenue of the Group 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. The Group's revenue from its hospital business 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.

Gross profit of the Group 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.

EBITDA of the Group increased by 28.7% to RMB647.0 million for the six months ended June 30, 2024 from RMB502.6 million for the same period in 2023.

Operating profit of the Group increased by 22.4% to RMB513.7 million for the six months ended June 30, 2024 from RMB419.6 million for the same period in 2023.

Capital expenditures of the Group 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.

Non-IFRS adjusted net profit of the Group<sup>(1)</sup> 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.

Further, the Board has resolved to utilize the Repurchase Mandate to repurchase Shares in the open market for an aggregate amount up to RMB200.0 million, subject to the market conditions.

*Note:*

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

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

## **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 adjusted non-IFRS financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies as they do not share a standardized meaning. The use of these non-IFRS measures have limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, the Group's interim condensed consolidated statement of comprehensive income as reported under IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

## SUMMARY OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<u>2024</u>	<u>2023</u>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Revenue</b>	<b>2,381,880</b>	1,759,486
Cost of revenue	<u>(1,625,441)</u>	<u>(1,188,657)</u>
<b>Gross profit</b>	<b>756,439</b>	570,829
Selling expenses	(29,477)	(16,506)
Administrative expenses	(237,823)	(179,727)
Other income	<b>21,933</b>	31,004
Other gains — net	<u>2,590</u>	<u>14,049</u>
<b>Operating profit</b>	<b>513,662</b>	419,649
Finance income	<b>797</b>	9,709
Finance costs	<u>(37,626)</u>	<u>(17,001)</u>
Finance costs — net	<u>(36,829)</u>	<u>(7,292)</u>
<b>Profit before income tax</b>	<b>476,833</b>	412,357
Income tax expense	<u>(91,659)</u>	<u>(77,462)</u>
<b>Net profit</b>	<b><u>385,174</u></b>	<b><u>334,895</u></b>
<b>Non-IFRS adjusted net profit<sup>(1)</sup></b>	<b>400,590</b>	346,662

*Note:*

- (1) Adjustments to the 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 the 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.

# 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<sup>(1)</sup> 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<sup>(2)</sup> of 39.4%, with the operating gross profit margin<sup>(3)</sup> 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<sup>(4)</sup> 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<sup>(5)</sup> 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<sup>(6)</sup> 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<sup>(7)</sup>.
- (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.

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

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

### ***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.

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

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

### ***Gross Profit***

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

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

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.

## **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.

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.

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.

## 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.

***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.

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.

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;
- (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 14<sup>th</sup> 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;

- (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.;
- (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.

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.

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.

### ***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.

### ***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:

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

### *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.

### ***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.

## **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.

### ***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.

### ***Pledge of Assets***

Except for pledge of property, plant and equipment and equity pledge of certain subsidiaries of the Group mentioned in Note 14 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.

### ***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.

### ***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.

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.

## DIVIDENDS

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

## 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.

## 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:

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

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

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

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

## **SHARE OPTION SCHEME**

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

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares (“**Share Options**” or “**Option(s)**”), which represents 3% of the total number of issued Shares of the Company as at October 15, 2021. No Options shall be granted to any eligible person (“**Relevant Eligible Person**”) if the number of Shares issued and to be issued upon the exercise of all Options granted and to be granted (including exercised, cancelled and outstanding options) to the Relevant Eligible Person in the 12-month period up to and including the offer date of the relevant Option would exceed 1% of the total number of Shares in issue at such time. The Share Option Scheme will be valid and effective for a period of 10 years commencing from October 15, 2021. The exercise period of the granted options will be ten (10) years from the date of grant. During the Reporting Period, no Share Options were exercised. As of the date of this announcement, 6,815,000 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.

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

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the date of grant and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Details of the movements of the Options granted and outstanding during the Reporting Period, the exercise price, the vesting date and the impact of Options granted under the Share Option Scheme on the financial statements are set out in the announcement of the Company dated August 24, 2021 and circular of the Company dated September 23, 2021 and under Note 16 to the 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.

Category and name of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of grant	Closing price (weighted average) of Shares immediately before the date of exercise/vest	Fair value at the date of grant	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	Exercise price of cancelled/ lapsed/ forfeited during the Reporting Period	Outstanding as at June 30, 2024	Vesting date	Performance targets
<b>Directors or chief executive and their associate</b>															
Mr. Zhu Yiwen	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 Weishan	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)	—
<b>Sub-total</b>						480,000	—	120,000	—	—	—	—	360,000		
<b>Substantial shareholders and their associates</b>															
<b>Participants with options in excess of 1% individual limit</b>															
<b>Related entity participants or service providers with options granted and to be granted during the year exceeding 0.1% individual limited</b>															
<b>Other employees participants</b>															
(in aggregate)	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)	—
557 employees						5,218,400	—	1,166,000	—	—	304,200	—	3,748,200		
<b>Sub-total</b>							—								
<b>Other related entity participants</b>															
<b>Other service providers</b>															
<b>Total</b>						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:

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

*Note 2*

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

<b>Number of Share Options</b>	<b>Vesting Date</b>
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 16 to the interim financial information.



## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

## **REVIEW OF INTERIM RESULTS**

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters in relation to the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2024 and considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **SUBSEQUENT EVENT**

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

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

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hygeia-group.com.cn](http://www.hygeia-group.com.cn)), and the 2024 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders in the manner in which the Shareholders have selected to receive corporate communications and published on the respective websites of the Stock Exchange and the Company in due course.

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended June 30, 2024 together with the comparative figures for the same period in 2023:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited	
		Six months ended June 30,	
		2024	2023
		RMB'000	RMB'000
Revenue	3	2,381,880	1,759,486
Cost of revenue	3,6	(1,625,441)	(1,188,657)
<b>Gross profit</b>		<b>756,439</b>	<b>570,829</b>
Selling expenses	6	(29,477)	(16,506)
Administrative expenses	6	(237,823)	(179,727)
Other income	4	21,933	31,004
Other gains-net	5	2,590	14,049
<b>Operating profit</b>		<b>513,662</b>	<b>419,649</b>
Finance income	7	797	9,709
Finance costs	7	(37,626)	(17,001)
Finance costs-net		(36,829)	(7,292)
<b>Profit before income tax</b>		<b>476,833</b>	<b>412,357</b>
Income tax expense	8	(91,659)	(77,462)
<b>Profit and total comprehensive income for the period</b>		<b>385,174</b>	<b>334,895</b>
<b>Profit and total comprehensive income attributable to</b>			
— Owners of the Company		384,571	334,136
— Non-controlling interests		603	759
<b>Earnings per share</b>			
— Basic earnings per share ( <i>in RMB</i> )	9	0.61	0.53
— Diluted earnings per share ( <i>in RMB</i> )	9	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

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

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

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
	<i>Notes</i>	<b>June 30,</b>	December 31,
		<b>2024</b>	2023
		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	2,247,886	2,318,992
Deferred income tax liabilities		182,191	168,409
Deferred revenue		35,687	36,084
Lease liabilities		2,194	2,437
Other non-current liabilities		9,518	9,620
		<b>2,477,476</b>	<b>2,535,542</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,253,921	1,410,054
Contract liabilities		61,016	54,258
Current income tax liabilities		75,235	76,677
Lease liabilities		890	793
Borrowings	14	487,182	402,365
		<b>1,878,244</b>	<b>1,944,147</b>
<b>Total current liabilities</b>		<b>1,878,244</b>	<b>1,944,147</b>
<b>Total liabilities</b>		<b>4,355,720</b>	<b>4,479,689</b>
<b>Total equity and liabilities</b>		<b>11,004,470</b>	<b>10,734,563</b>

The above interim condensed consolidated statement of financial position 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.

## 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.

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

		<b>Effective for annual periods beginning on or after</b>
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:

		<b>Effective for annual periods beginning on or after</b>
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.



### 3 SEGMENT INFORMATION AND REVENUE

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

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the 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.

	<b>Unaudited</b>			
	<b>Six months ended June 30, 2024</b>			
	<b>Hospital Business</b>	<b>Other Business</b>	<b>Unallocated</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,307,457	74,423	—	2,381,880
Cost of revenue	(1,589,482)	(35,959)	—	(1,625,441)
<b>Gross profit</b>	<b>717,975</b>	<b>38,464</b>	<b>—</b>	<b>756,439</b>
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
<b>Segment profit</b>	<b>512,144</b>	<b>29,433</b>	<b>(27,915)</b>	<b>513,662</b>
Finance income				797
Finance costs				(37,626)
<b>Finance costs — net</b>				<b>(36,829)</b>
<b>Profit before income tax</b>				<b>476,833</b>
<b>Other segment information</b>				
Depreciation of property, plant, and equipment	123,350	6,344	323	130,017
Amortization of intangible assets	8,855	350	660	9,865

	Unaudited			
	Six months ended June 30, 2023			
	Hospital Business	Other Business	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,681,756	77,730	—	1,759,486
Cost of revenue	(1,156,985)	(31,672)	—	(1,188,657)
<b>Gross profit</b>	<u>524,771</u>	<u>46,058</u>	<u>—</u>	<u>570,829</u>
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
<b>Segment profit</b>	<u>388,336</u>	<u>42,402</u>	<u>(11,089)</u>	<u>419,649</u>
Finance income				9,709
Finance costs				(17,001)
<b>Finance costs — net</b>				<u>(7,292)</u>
<b>Profit before income tax</b>				<u><u>412,357</u></u>
<b>Other segment information</b>				
Depreciation of property, plant, and equipment	75,311	5,887	1,253	82,451
Amortization of intangible assets	6,102	349	635	7,086

	<b>Hospital Business</b>	<b>Other Business</b>	<b>Unallocated</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at June 30, 2024 (Unaudited)</b>				
<b>Assets</b>				
Segment Assets	<u>10,115,488</u>	<u>197,009</u>	<u>645,702</u>	<u>10,958,199</u>
Deferred income tax assets				<u>46,271</u>
<b>Total Assets</b>				<b><u><u>11,004,470</u></u></b>
<b>Liabilities</b>				
Segment Liabilities	<u>3,857,980</u>	<u>246,976</u>	<u>68,573</u>	<u>4,173,529</u>
Deferred income tax liabilities				<u>182,191</u>
<b>Total Liabilities</b>				<b><u><u>4,355,720</u></u></b>
<b>As at December 31, 2023 (Audited)</b>				
<b>Assets</b>				
Segment Assets	<u>9,829,881</u>	<u>181,763</u>	<u>679,031</u>	<u>10,690,675</u>
Deferred income tax assets				<u>43,888</u>
<b>Total Assets</b>				<b><u><u>10,734,563</u></u></b>
<b>Liabilities</b>				
Segment Liabilities	<u>3,984,947</u>	<u>236,216</u>	<u>90,117</u>	<u>4,311,280</u>
Deferred income tax liabilities				<u>168,409</u>
<b>Total Liabilities</b>				<b><u><u>4,479,689</u></u></b>

(b) Revenue by business lines and nature

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

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

(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.

#### 4 OTHER INCOME

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

#### 5 OTHER GAINS — NET

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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)
	<b>2,590</b>	<b>14,049</b>

#### 6 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	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	2,271	971
Auditor's remuneration		
— Audit and audit related service	900	1,100
— Non-audit	—	—
Other expenses	44,016	30,624
	<b>1,892,741</b>	<b>1,384,890</b>



## 7 FINANCE COSTS — NET

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

(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%).

## 8 INCOME TAX EXPENSE

### (a) Income tax expense

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax		
— PRC corporate income tax	80,260	66,222
Deferred income tax	<u>11,399</u>	<u>11,240</u>
	<u><u>91,659</u></u>	<u><u>77,462</u></u>

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

### *Cayman Islands*

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

### ***British Virgin Islands***

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

### ***Hong Kong***

The Group's entity incorporated in Hong Kong is subject to Hong Kong profits tax at 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.

(b) Numerical reconciliation of income tax expense

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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)
	<u>91,659</u>	<u>77,462</u>

9 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	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company ( <i>RMB'000</i> )	384,571	334,136
Weighted average number of shares in issue	631,524,200	630,701,978
Basic earnings per share ( <i>in RMB</i> )	<u>0.61</u>	<u>0.53</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In November 2021, the Company granted share options to employees (Note 16). 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.

## 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Structured deposit products	—	100,024
Wealth management products	<b>498,236</b>	106,127
	<b>498,236</b>	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.

## 11 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents were denominated in the following currencies:

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

## 12 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

	As at <b>June 30, 2024</b>	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (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	<u>437</u>	<u>240</u>
	<u><b>955,837</b></u>	<u><b>863,969</b></u>

The Group's trade receivables were denominated in RMB.

### 13 SHARE CAPITAL AND SHARE PREMIUM

	Unaudited			
	Number of shares	Nominal value of shares	Equivalent nominal value of shares	Share premium
		<i>USD</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

### 14 BORROWINGS

	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Bank borrowings	<u>2,732,985</u>	<u>2,715,307</u>
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	<u>(175,100)</u>	<u>(184,450)</u>
	<u>2,247,886</u>	<u>2,318,857</u>
Included in current liabilities:		
— Short-term bank borrowings-unsecured	309,999	212,000
— Current portion of non-current liabilities	<u>175,100</u>	<u>184,450</u>
	<u>485,099</u>	<u>396,450</u>
Other borrowings	<u>2,083</u>	<u>6,050</u>



	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Included in non-current liabilities:		
— Long-term other borrowings-secured (i)	2,083	6,050
Less: current portion	<u>(2,083)</u>	<u>(5,915)</u>
	<u>—</u>	<u>135</u>
Included in current liabilities:		
— Current portion of non-current liabilities	<u>2,083</u>	<u>5,915</u>
<b>Total</b>	<u><b>2,735,068</b></u>	<u><b>2,721,357</b></u>

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

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

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.

## 15 TRADE AND OTHER PAYABLES

	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (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	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
	<b>1,253,921</b>	<b>1,410,054</b>

- (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	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (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
	<b>633,367</b>	<b>687,100</b>

## 16 SHARE-BASED COMPENSATION EXPENSE

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the Grant Date and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Performance targets are set out for each batch of granted Share Options and determined annually by the Board. Details of the Share Options 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 dimission 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	<b>HKD66.80</b>	<b>7,151,200</b>	HKD66.80	7,338,000
Forfeited during the period	<b>HKD66.80</b>	<b>(304,200)</b>	HKD66.80	(66,000)
As at June 30	<b>HKD66.80</b>	<b>6,847,000</b>	HKD66.80	7,272,000
Including: vested and exercisable at June 30	<b>HKD66.80</b>	<b>2,738,800</b>	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.

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:

	<u>As at Grant Date</u>
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).

## **17 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).

## **18 SUBSEQUENT EVENT**

There have been no significant events subsequent to June 30, 2024 that would require adjustments to, or additional disclosure in, these consolidated financial statements.

## GLOSSARY AND DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 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 announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Chongqing Hygeia Hospital”	Chongqing Hygeia Hospital Co., Ltd.* (重慶海吉亞醫院有限公司) (formerly known as Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) and Chongqing Hygeia Hospital Management Co., Ltd.* (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
“Company”	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Stock Exchange
“Dezhou Hygeia Hospital”	Dezhou Hygeia Hospital Co., Ltd.* (德州海吉亞醫院有限公司) (formerly known as Dezhou Chongde Hospital Co., Ltd. (德州崇德醫院有限公司)), a limited liability company established in the PRC on December 18, 2019 and a subsidiary of the Company

“Directors”	director(s) of the Company
“Gamma Star Tech”	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a subsidiary of the Company
“Group”	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
“IFRS”	International Financial Reporting Standards
“Kaiyuan Jiehua Hospital”	Kaiyuan Jiehua Hospital Co., Ltd. * (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021 and a subsidiary of the Company
“Liaocheng Hygeia Hospital”	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Longyan Boai Hospital”	Longyan Boai Hospital Co., Ltd.* (龍巖市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange



“Managed Hospital”	Handan Renhe Hospital* (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“oncology”	the branch of medicine that deals with cancer
“public medical insurance programs”	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
“radiotherapy”	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
“radiotherapy center services”	the services the Group provides to certain hospital partners in connection with their radiotherapy centers, which are primarily composed of (i) provision of radiotherapy center consulting services; (ii) licensing of the Group’s proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the Group’s proprietary SRT equipment
“Reporting Period”	from January 1, 2024 to June 30, 2024
“RMB”	the lawful currency of the PRC
“Shanxian Hygeia Hospital”	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each

“Shareholder(s)”	holder(s) of the Shares
“SRT”	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Suzhou Canglang Hospital”	Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
“Suzhou Yongding Hospital”	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit class II general hospital in Suzhou and a subsidiary of the Company
“Wuxi Hygeia Hospital”	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
“%”	per cent

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

Hong Kong, August 29, 2024

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

\* *For identification purpose only*