海吉亚医疗控股有限公司

Hygeia Healthcare Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6078

Annual Report 2022

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群)
Mr. Ye Changqing (葉長青)
Mr. Zhao Chun (趙淳)
(Appointed with effect from May 6, 2022)
Mr. Chen Penghui
(Resigned with effect from May 6, 2022)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
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PRINCIPAL BANKERS

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Shanghai Huaizhong Sub-branch
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Bank of Communications Co., Ltd.
Shanghai Jinshan Sub-branch
No. 68 West Weiqing Road
Jinshan District, Shanghai
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China Guangfa Bank Co., Ltd.
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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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22/F, Prince's Building
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HONG KONG LEGAL ADVISER

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STOCK CODE

6078

COMPANY WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Year ended December 31,				
	2022	2021	2020	2019	2018
	(RMB'000, except percentages)				
Operating results					
Revenue	**3,195,648**	2,315,349	1,401,764	1,085,826	766,142
Gross profit	**1,028,553**	757,499	480,043	330,120	238,735
Operating profit	**666,821**	593,775	300,284	174,207	105,542
Profit before income tax	**643,311**	572,845	252,612	79,320	27,263
Net profit	**481,876**	453,203	177,061	39,767	2,418
Basic earnings per share (in RMB)	**0.77**	0.71	0.38	0.14	0.01
Non-IFRS adjusted gross profit(1)	**1,058,943**	764,782	480,043	330,120	238,735
Non-IFRS adjusted net profit (2)	**607,013**	450,606	316,082	171,542	93,386
Profitability					
Gross profit margin	**32.2%**	32.7%	34.2%	30.4%	31.2%
Net profit margin	**15.1%**	19.6%	12.6%	3.7%	0.3%
Non-IFRS adjusted gross profit margin(3)	**33.1%**	33.0%	34.2%	30.4%	31.2%
Non-IFRS adjusted net profit margin(4)	**19.0%**	19.5%	22.5%	15.8%	12.2%

Notes:

(1) Adjustments to the gross profit for the year ended December 31, 2022 include: (i) share-based compensation expenses of RMB26,134 thousand; and (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB4,256 thousand. Adjustments to the gross profit for the year ended December 31, 2021 include: (i) share-based compensation expenses of RMB4,536 thousand; and (ii) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB2,747 thousand.

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

(3) Adjusted gross profit margin is calculated based on adjusted gross profit divided by revenue.

(4) Adjusted net profit margin is calculated based on adjusted net profit divided by revenue.

	Audited As of December 31,				
	2022	2021	2020	2019	2018
	(RMB'000)				
Financial position					
Total current assets	**1,749,474**	1,720,772	2,922,341	668,530	513,104
Total non-current assets	**5,492,471**	4,966,166	1,778,964	1,544,659	1,469,386
Total current liabilities	**1,026,031**	854,607	280,952	1,714,181	415,446
Total non-current liabilities	**1,275,851**	1,354,619	78,976	701,614	1,755,288
Total equity/(deficits)	**4,940,063**	4,477,712	4,341,377	(202,606)	(188,244)

Corporate Profile

We are the largest oncology healthcare group in China in terms of (i) revenue generated from radiotherapy-related services in 2019; and (ii) number of radiotherapy equipment installed in in-network hospitals and radiotherapy centers as of December 31, 2019, according to Frost & Sullivan. As an oncology-focused healthcare group, we endeavor to make healthcare services more accessible and affordable (讓醫療更溫暖), addressing unmet demand of oncology patients in China.

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals and radiotherapy centers through a combination of organic growth, strategic acquisitions and cooperation with hospital partners. As of the date of this annual report, we operated a network of 12 oncology-focused hospitals, with these in-network hospitals covering nine cities in seven provinces in China. We believe our nationwide footprint has enabled us to benefit from network effects and synergies and achieve economies of scale, which has laid a solid foundation for our sustainable and profitable growth and future expansion into new geographic markets.

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

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

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

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Hygeia Healthcare Holdings Co., Limited, I would like to present you with the annual report of the Group for the year ended December 31, 2022.

The past year has been an extraordinary one with pandemic prevention and control in China having entered a new stage, international geopolitical conflicts intensifying and the Federal Reserve starting the interest rate hike cycle. We gave special thanks to all medical staff of Hygeia for their courage, perseverance and hard work, and all Shareholders for their long-term trust and support.

In 2022, despite various uncertainties came one after another, Hygeia Healthcare has still maintained steady business growth with firmly strategic adherence and responsibility. The Group's revenue for the year reached RMB3,196 million, representing a year-on-year increase of 38.0%. Our adjusted net profit reached RMB607 million, representing a year-on-year increase of 34.7%. Patient visits reached nearly 3.25 million, representing a year-on-year increase of 41.6%. In 2022, the Group was successively awarded the "Top 10 Most Influential Listed Companies in Medical Services in 2021 (2021年度最具影響力醫療服務上市公司 Top 10)", the "5th New Fortune Best IR of Hong Kong Listed Companies (H Share) (第五屆新財富最佳IR港股公司(H股))" and other honorary titles. Over the three years following our Listing, with the support from all Shareholders and struggle of every single member of Hygeia, the Group achieved its leapfrog development with the compound growth rate of revenue for three years reaching 51%.

At present, the number of annual new cases of malignant tumors in China has reached nearly 5 million. With the advancement in science, patients with malignant tumors now have longer survival period, and malignant tumors have become a chronic disease requiring long-term treatment. The necessity and urgency of promoting reserve expansion and balanced distribution of the high-quality oncology medical resources, and promoting standardized malignant tumors treatment have become increasingly prominent. Looking back on the past year, we persisted to take up challenges and adhere to our values, and continued to build special hospital brand with oncology specialties. The new inpatient building in Hezhou Guangji Hospital was put into use; Liaocheng Hygeia Hospital commenced operation; the construction of Wuxi Hygeia Hospital has started; the Phase II project of Chengwu Hygeia Hospital has been topped out; Changshu Hygeia Hospital acquired the land parcel through bidding; the phase two project of Chongqing Hygeia Hospital commenced operation and passed acceptance inspection as a Class III general hospital; Dezhou Hygeia Hospital has been fully topped out; and Shanxian Hygeia Hospital Phase II project has entered the final stage. Looking forward to 2023, we will seize the historic consolidation opportunities in oncology healthcare industry, increase the pace of merger and acquisition, and accelerate the expansion of the Group's oncology healthcare service network in width and depth.

"Making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)" is the unremitting pursuit mission of Hygeia, and "telling the truth, being pragmatic and acting with integrity (說實話、辦實事、講誠信)" are values which Hygeia has conscientiously implemented. Mission and values are always the cornerstone for our business success. We shall harbor respect and fear in our heart and be careful with what we say and do, while striving to satisfy patients, nurturing employees who create values, and bringing reasonable return for Shareholders. With the long-term trend of the rapid development of medical industry, I'm confident in the future development prospects of Hygeia.

It is encouraging that, during the three-year pandemic, Hygeia has developed an increasingly sophisticated standardized hospital management and operation system. Liaocheng Hygeia Hospital, the fourth self-owned hospital of the Group, has achieved monthly breakeven in a relatively short period, while the business volume and operation efficiency of Suzhou Yongding Hospital and Hezhou Guangji Hospital continued to grow rapidly. With the robust development of oncology discipline, growing reputation among patients, and overall growth of existing hospitals, the brand with oncology specialties and social influence continued to grow. As they say, it takes ten years to make a sword. Hygeia has completed the “from 0 to 1” phase of establishing its hospital management and operation capacity, and the next decade will be the journey for Hygeia to achieve the “from 1 to 10” phase. Despite a long way to go, the destination will be reached if we keep going. Despite the difficulties, the goal will be achieved if we keep working.

We have achieved splendid achievements in the last year and will make even greater progress in the forthcoming year. In the fourth year of Listing, Hygeia is in its prime. We will continue to actively contribute to the oncology prevention and treatment in China, and meet the growing needs of oncology patients in China. During the journey of Hygeia in achieving the “from 1 to 10” phase, we look forward to your company and witness, and let's write a new beautiful chapter together.

Zhu Yiwen
Chairman

March 20, 2023

Management Discussion and Analysis

BUSINESS REVIEW

The Group continued to adhere to the oncology-focused development strategy in 2022 and was continuously committed itself to expanding its business scale through operating hospitals focusing on oncology. As of December 31, 2022, the Group managed or operated 12 oncology-focused hospitals and provided services to 24 third-party hospital partners for their radiotherapy centers.

The Group continuously practiced its corporate vision of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)". The Group has always put patient satisfaction first through fulfilling the unmet needs of oncology patients by safeguarding the quality of its medical services, as well as raising its service standards. In 2022, the reputation of the in-network hospitals of the Group among the patient pool and the brand influence have continued to enhance, the number of patient visits of the Group has continued to increase, and the overall revenue of the Group has continued to maintain strong growth. For the year ended December 31, 2022, the revenue of the Group was RMB3,195.6 million, representing an increase of 38.0% over last year.

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

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

Hospital Business

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

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

Other Business

The other business of the Group mainly includes third-party radiotherapy business and hospital management business. For the year ended December 31, 2022, the Group's revenue from other business amounted to RMB168.4 million.

Oncology-related Business

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

Revenue from the Group's oncology-related business increased by 30.8% from RMB1,100.1 million for the year ended December 31, 2021 to RMB1,438.4 million for the year ended December 31, 2022, and accounted for 45.0% of the consolidated revenue of the Group.

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

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

Non-IFRS Adjusted Gross Profit

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

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

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

Business Development

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

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

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

2. *Increasing early oncology screening*

   Early oncology screening is essential in preventing and treating cancers, and the general public's awareness of early oncology screening has greatly enhanced. Through continually initiating public welfare activities such as early oncology screening, tumor prevention and health lectures, and setting up an oncology screening base, the Group assists oncology patients in the early diagnosis, discovery and treatment. During the Reporting Period, the Group's major in-network hospitals set up oncology screening centers, endoscopy centers and imaging centers to provide various oncology screening services such as tumor marker testing, methylation testing, genetic testing, gastrointestinal endoscopy and imaging testing. Suzhou Yongding Hospital actively responded to the call of the National Clinical Research Center for Digestive Diseases to participate in the research project of "community screening of colorectal cancer for 10,000 people", and was awarded the title of "Excellent Unit" by the project team. Longyan Boai Hospital has established a gastroenterology ward to promote early gastrointestinal cancer screening, improve patients' awareness of cancer prevention and early detection of the disease. Longyan Boai Hospital successfully held a training course on breast cancer screening and early diagnosis and treatment in Fujian Province to improve the level of cancer screening and treatment of medical staff.

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

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

During the Reporting Period, the Group has made numerous achievements from its scientific research and academic study in oncology. The Group's in-network hospitals and/or medical professionals published 131 articles in oncology specialties/oncology related disciplines in domestic and international periodicals.

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

The Group is strengthening its efforts in the recruitment and training for oncology medical professionals. As of December 31, 2022, the Group had 5,127 medical professionals in total, representing an increase of 832 compared to December 31, 2021. Among the medical professionals, 689 were chief physicians or associate chief physicians, representing an increase of 156 from December 31, 2021. For the year ended December 31, 2022, a total of 495 medical professionals were promoted to a higher professional grade.

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

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

The Group provides one-stop and whole life cycle comprehensive oncology diagnosis and treatment services for oncology patients. For oncology patients in rehabilitation, the Group continues to strengthen oncology health management and regular follow-up visits; for terminal illness patients, the Group's in-network hospitals have launched services such as home care for oncology patients and unaccompanied wards for oncology patients. The considerate care from medical staff of the Group enables oncology patients to experience "making healthcare services more accessible and affordable".

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

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

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

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

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

   Dezhou Hygeia Hospital is designed to be a Class III hospital, and Phase I project has a total GFA of approximately 51,000 square meters and is designed to accommodate 600 to 800 beds. It is expected to commence operation in 2023.

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

   Changshu Hygeia Hospital has acquired the land parcel through bidding in December 2022. The completion of the bidding signifies that the Changshu Hygeia Hospital project has entered into the overall construction preparation stage. Changshu Hygeia Hospital is planned to be a Class III hospital, and is designed to accommodate 800 to 1,200 beds. It is expected to commence operation in 2025.

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

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

   Shanxian Hygeia Hospital Phase II project has a GFA of approximately 55,000 square meters and is designed to accommodate 500 beds. It is expected to be put into operation in the second quarter of 2023. Upon completion of the project, it will greatly improve the medical service level and public health emergency response capability of the hospital.

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

Kaiyuan Jiehua Hospital Phase II project has acquired the land parcel through bidding in October 2022. The new land parcel has an area of approximately 16 mu with a planned construction area of approximately 15,000 square meters, which can accommodate 500 beds. Currently, Kaiyuan Jiehua Hospital Phase II project is in the pre-construction preparation stage. The completion of the Phase II project will greatly enhance the treatment capacity of Kaiyuan Jiehua Hospital for oncology patients and contribute to its long-term sustainable development.

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

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

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

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

Participate in medical public welfare activities to assume corporate responsibility

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

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

The Group's hospitals promoted the spirit of "honouring life and love (敬佑生命、大愛無疆)" and actively organized public welfare activities such as blood donation and blood stem cell donation, so that the transmission of love can be as sustainable as blood. They continued to conduct visiting activities for the orphaned and helpless elderly people, children in social welfare institutions, poor patients, veterans, firefighters, old party members, sanitation workers and workers under new forms of employment, providing them with health checkups and health consultation services. In October 2022, Liu Guangqing (劉廣晴) from the oncology department of Chengwu Hygeia Hospital successfully donated blood stem cells to a young girl suffering from aplastic anaemia, realizing a miracle of life. Since October 2022, Suzhou Yongding Hospital has waived the registration fee for retired military personnel, preferential treatment recipients and unpaid blood donors, carrying forward the fine tradition of patriotism, support of the army, and devotion to the people.

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

Build good public relations to facilitate economic and social development

The Group attaches great importance to establishing good public relations with all parties in the community, maintaining contact with and being monitored by governments and authorities at all levels, regulating the use of medical insurance funds, fulfilling its obligations as a taxpayer and contributing to the development of the local economy. Hygeia is committed to upholding the values of "telling the truth, being pragmatic and acting with integrity (說實話、辦實事、講誠信)", respecting and protecting the legitimate rights and interests of suppliers, promoting business ethics, promoting integrity and maintaining a clean and healthy environment in the medical field. For the year ended December 31, 2022, the Group's anti-corruption training coverage rate was 100%.

During the Reporting Period, Suzhou Yongding Hospital was awarded the "2022 Annual Major Taxpayer of Wujiang District (2022年度吳江區納稅大戶)" by the Suzhou Wujiang District Committee of Communist Party of China and the People's Government of Wujiang District, and the "2021 Annual Pioneer Enterprise Taxpayer of Service Industry (2021年度服務業納稅先鋒企業)" by the Party Working Committee and Management Committee of East Taihu Resort (Taihu New Town), and the hospital president, Ms. Chen Yan (陳豔) was awarded the honorary title of "The Most Beautiful Person in Medical Insurance Area (最美醫保人)" in Wujiang by the Medical Insurance Bureau of Wujiang District for the first time; Shanxian Hygeia Hospital was awarded the "2021 Annual Economic Development Contribution Award (2021年度經濟發展貢獻獎)" by the Shanxian Committee of Communist Party of China and the People's Government of Shanxian, and was awarded the "Medical Insurance Advanced Unit in Heze City (菏澤市醫保先進單位)" by Heze Municipal Medical Insurance Bureau; Suzhou Canglang Hospital was awarded "Outstanding Contribution Enterprise in 2021 (2021年度傑出貢獻企業)" by the Gusu District Committee of Communist Party of China and the People's Government of Gusu District; Hezhou Guangji Hospital received an excellent rating in the Hezhou Municipal Medical Insurance Bureau's 2021 Annual Assessment of Municipal Medical Insurance Designated Institutions; the president of Chongqing Hygeia Hospital, Mr. Zhang Hongfei (張鴻飛) was awarded the "Top Ten Outstanding Young Entrepreneurs of Chongqing (重慶市十大傑出青年企業家)"; Ms. Zhao Dengmei (趙登梅), the head of the medical insurance department of Chengwu Hygeia Hospital was awarded the Advanced Individual in Medical Insurance Management in Shandong Province; and Mr. Lu Huatong (魯華通) from the medical insurance department of Heze Hygeia Hospital was designated as the "Knowledgeable Person about Medical Insurance in Shandong Province (山東省醫保明白人)".

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

Hygeia has been pursuing its original mission of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)". The Group has always put patient satisfaction at the forefront of its mission, enhanced its information technology and humanised services, constantly strengthened its diagnostic and treatment capabilities, and continuously improved the medical experience. Shanxian Hygeia Hospital has set up a voluntary service post for hospital president in the outpatient lobby to provide comprehensive care for patients; Liaocheng Hygeia Hospital provides free footbaths for inpatients to keep their feet warm and their hearts warmer; and Chongqing Hygeia Hospital held birthday celebration for liver cancer patients to encourage them to rekindle their faith and hope in life. All hospitals in the Group provided year-round outpatient service (including public holidays). In 2022, Suzhou Yongding Hospital has been the first hospital in Suzhou to provide both morning and night-time outpatient services. In the face of the medical peak of the COVID-19, all medical staff at Hygeia were committed to their duties and did their utmost to maximise hospitals' intake and protect the lives and health of patients.

The Group attached great importance to investor relations management, continuously improved its corporate governance, strictly fulfilled its information disclosure obligations and protected the legitimate interests of Shareholders, especially the minority Shareholders. From December 2021 to January 2022, Mr. Zhu Yiwen, the Controlling Shareholder, Chairman and chief executive officer of the Company, and the management team continuously increased their shareholding in the Company with a total of around 1,000,000 shares. From January to March 2022, the Company repurchased and cancelled 1,275,800 shares. The management and staff of the Company were working together to enhance the inherent value of the Company and create good investment returns for investors. For the year ended December 31, 2022, the Group was awarded the "Top 10 Most Influential Listed Companies of 2021 in Medical Services (2021年度前十大最具影響力醫療服務上市公司)" and selected among the "5th New Fortune Best IR of Hong Kong Listed Companies (H Share) List (第五屆新財富最佳IR 港股公司 (H 股))". Mr. Zhu Yiwen, the founder, Chairman and chief executive officer of the Group, was awarded the title of "Wei Lan Award — Entrepreneur of the Year (蔚瀾獎—年度風雲企業家)".

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

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

BUSINESS PROSPECTS

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

According to the results of the seventh national population census, as of November 1, 2020, there were 264 million elderly people aged 60 and above in China, accounting for 18.7% of the total population. From 1962 to 1973, more than 300 million people were born in China, and these people will reach the age of 60 within the next decade. It can be predicted that the overall number of elderly people aged 60 and above in China will further increase in the next decade. There are over 4 million new oncology patients in China every year, which increased significantly as compared to the previous years. The demand for oncology medical services in the Chinese market will gradually increase due to the continued growing of incidence of tumors and other age-related diseases brought by the ageing population. According to Frost & Sullivan’s analysis, the revenue of the entire oncology medical service market will reach RMB700 billion in 2025 at a CAGR of approximately 11.5% from 2021 to 2025. The Group believes that by leveraging high-level quality control, technology and diagnosis and treatment services, the Group is able to provide multi-level and one-stop diagnosis and treatment services to more oncology patients and satisfy their unmet needs.

The medical care and health system reform in China has deepened throughout recent years. The government has put in place certain policies encouraging the setup of medical institutions by social capital to increase the supply of medical services, so as to alleviate conflicts over the significant and unevenly distributed gaps between supply and demand of medical services. In December 2022, the Central Committee of the Communist Party of China and the State Council issued the “Outline of the Strategic Plan for Expanding Domestic Demand (2022–2035)”, which states that social forces should be supported to provide multi-level and diversified medical services, and increase the effective supply of specialized medical services and other sub-sectors. The Group believes that it is able to benefit from the encouragement and support of various national and local government policies and the environment for private medical service will be constantly improved to facilitate rapid development of private medical service. The Group will seize this opportunity to continuously expand its operation network to provide multi-level and diversified services to increasing number of oncology patients.

Looking forward, the Group expects to:

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased by 38.0% to RMB3,195.6 million for the year ended December 31, 2022 from RMB2,315.3 million for the year ended December 31, 2021.

Hospital Business

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

Other Business

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

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

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

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

Selling Expenses

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

Administrative Expenses

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

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

Other Income

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

Other (Losses)/Gains — Net

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

Finance Income and Costs

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

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

Income Tax Expense

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

Net Profit and Non-IFRS Adjusted Net Profit

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

Non-IFRS Measures

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

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

	Year ended December 31,	
	2022 ***(RMB'000)***	2021 *(RMB'000)*
Gross profit	**1,028,553**	757,499
Adjustments:		
Add:		
Share-based compensation expenses	**26,134**	4,536
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**4,256**	2,747
Non-IFRS adjusted gross profit	**1,058,943**	764,782

	Year ended December 31,	
	2022 ***(RMB'000)***	2021 *(RMB'000)*
Net profit	**481,876**	453,203
Adjustments:		
Add:		
Net foreign exchange losses	**77,272**	—
Share-based compensation expenses	**38,085**	6,759
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**9,780**	6,093
Gains from the appreciation in valuation of assets arising from the reform of not-for-profit hospital	**—**	(15,449)
Non-IFRS adjusted gross profit	**607,013**	450,606

Liquidity and Capital Resources

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

Cash Flow

Operating Activities

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

The Group's net cash generated from operating activities increased by 60.8% to RMB685.4 million for the year ended December 31, 2022 from RMB426.3 million for the year ended December 31, 2021, primarily attributable to the increase in the Group's overall revenue.

Investing Activities

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

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

Financing Activities

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

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

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures decreased by 9.3% to RMB606.9 million for the year ended December 31, 2022 from RMB669.0 million for the year ended December 31, 2021.

Significant Investments, Material Acquisitions and Disposals

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

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

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

Financial Position

Total Assets and Total Liabilities

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

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

Inventories

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

Trade, Other Receivables and Prepayments

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

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

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

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

Intangible Assets

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

Trade and Other Payables

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

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

Borrowings

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

Pledge of Assets

Except for equity pledge and pledge of property, plant and equipment of the Group mentioned in Note 24 to the consolidated financial statements, the Group had no other pledged assets as of December 31, 2022.

Contract Liabilities

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

Capital Commitments

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

Contingent Liabilities

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

Financial Instruments

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

Gearing Ratio

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

Foreign Exchange Risk

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

Interest Rate Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

FINAL DIVIDENDS

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

On January 4, 2023, the Company entered into a placing agreement with J.P. Morgan Securities (Asia Pacific) Limited (the "**Placing Agent**"), pursuant to which the Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, not less than six placees to subscribe for, or failing which to subscribe itself as principal, 14,800,000 placing shares at a price of HK$53.50 per Share on the terms and subject to the conditions set out in the placing agreement (the "**Placing**"). The Placing was completed on January 11, 2023. Details in relation to the Placing were set out in the announcements of the Company dated January 4, 2023 and January 11, 2023.

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

Directors and Senior Management

DIRECTORS

Chairman and Executive Director

Mr. Zhu Yiwen (朱義文), aged 59, was appointed as the non-executive Director and vice chairman of the Company on March 30, 2021, appointed as the Chairman on July 6, 2021, and redesignated as the executive Director of the Company on August 23, 2021. Mr. Zhu is primarily responsible for the mid to long term development strategy formulation and the disciplines development planning of the in-network hospitals of the Group. Mr. Zhu is the father of Ms. Zhu, and father-in-law of Mr. Ren.

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

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

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

Executive Directors

Ms. Cheng Huanhuan (程歡歡), aged 39, was appointed as the Director of the Company on June 3, 2019 and was re-designated as the executive Director on September 18, 2019. Ms. Cheng has been with the Group for more than 10 years since it started its business in 2009, and was appointed as the chief executive officer of the Group on December 24, 2019, and re-designated as the co-chief executive officer of the Company on August 23, 2021, primarily responsible for implementing decisions of the Board, and overseeing the daily operation and management of the Group.

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

Directors and Senior Management

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

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

Mr. Ren Ai (任愛), aged 38, was appointed as the Director of the Company on September 12, 2018 and was re-designated as the executive Director on September 18, 2019. Mr. Ren is primarily responsible for assisting the chief executive officer in overseeing the daily operation and management of the Group, assisting the Chairman in supervising the implementation of the decisions of the Board, and responsible for the investment and financing, supply chain management and human resources of the Group. Mr. Ren is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu.

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

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

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

Mr. Zhang Wenshan (張文山), aged 41, was appointed as the executive Director of the Company on January 20, 2020 and has been the director of research & development and manufacturing of the Group since January 2014, primarily responsible for overseeing the research, development and manufacturing operations of the Group. Prior to joining the Group, in January 2007, Mr. Zhang joined Gamma Star Tech, responsible for manufacturing operations and after-sales services. Mr. Zhang was promoted as the director of research, development and manufacturing of the Group in January 2014 and has been the leader of the Group's research & development and manufacturing operations since then.

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

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

Ms. Jiang Hui (姜蕙), aged 47, was appointed as the executive Director of the Company on December 23, 2020 and has been the director of the Group's radiotherapy division since January 2015, primarily responsible for overseeing the business operation of the Group's in-network radiotherapy centers.

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

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

Independent Non-executive Directors

Mr. Liu Yanqun (劉彥群), aged 66, was appointed as the independent non-executive Director of the Company on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

Mr. Liu obtained his bachelor's degree in medicine from Xuzhou Medical University (徐州醫科大學, formerly known as Xuzhou Medical College (徐州醫學院)) in December 1982. In July 1997, he obtained his master's degree in dermatology from Nanjing Medical University (南京醫科大學, formerly known as Nanjing Medical College (南京醫學院)).

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

Mr. Zhao Chun (趙淳), aged 70, was appointed as an independent non-executive Director of the Company on May 6, 2022 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

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

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

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

Mr. Ye Changqing (葉長青), aged 52, was appointed as an independent non-executive Director of the Company on September 21, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

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

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

SENIOR MANAGEMENT

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

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

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

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

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

Directors' Report

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

PRINCIPAL ACTIVITIES

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

Analysis of the principal activities of the Group during the year ended December 31, 2022 is set out in Note 5 to the consolidated financial statements in this annual report.

A list of the Company's principal subsidiaries as of December 31, 2022, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 38 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

For more details, please refer to the Environmental, Social and Governance Report, which will be published in April 2023 and available on the websites of the Stock Exchange and the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated financial statements of this annual report.

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

CLOSURE OF REGISTER OF MEMBERS

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

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

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

Shareholders

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

Staff

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

Patients and Customers

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

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

Suppliers

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

For the year ended December 31, 2022, there was no significant and material dispute between the Group and its stakeholders.

FINANCIAL SUMMARY

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

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

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

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

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

Details on the applications of the net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcement dated May 26, 2021. The following table sets out the revised applications of the net proceeds, actual usage up to December 31, 2022 as well as the expected timeline for utilization:

	Planned applications *HK$ million*	Amount available for utilization as revised *HK$ million*	Amount utilized *HK$ million*	Remaining amount *HK$ million*	Expected timeline for utilization[1]
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	1,435.1	985.1	985.1	–	N/A
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	717.6	1,167.6	1,167.6	–	N/A
Upgrading information technology systems	119.6	119.6	18.4	101.2	By the end of June 2024
Working capital and other general corporate purposes	119.6	119.6	119.6	–	N/A
Total	**2,391.9**	**2,391.9**	**2,290.7**	**101.2**	

Note:

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, the Group's sales to its five largest customers accounted for 2.7% (2021: 3.4%) of the Group's total revenue, and the Group's sales to its single largest customer accounted for 1.3% (2021: 1.8%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2022, the Group's purchases from its five largest suppliers accounted for 33.2% (2021: 33.4%) of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 9.5% (2021: 12.2%) of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group in 2022 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2022 are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the changes in the Group's reserves for the year ended December 31, 2022 are set out in Note 22 to the consolidated financial statements. Details of the changes in the Company's reserves for the year ended December 31, 2022 are set out in Note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company's reserves available for distribution were approximately RMB6,713.2 million.

TAXATION

Tax position of the Company for the year ended December 31, 2022 is set out in Note 11 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

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

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company for the year ended December 31, 2022 are set out in Note 24 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended December 31, 2022 and up to the date of this annual report are:

Executive Directors

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

Independent Non-executive Directors

Mr. Liu Yanqun
Mr. Ye Changqing
Mr. Chen Penghui *(Resigned with effect from May 6, 2022)*
Mr. Zhao Chun *(Appointed with effect from May 6, 2022)*

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

Details of the Directors, Mr. Zhu Yiwen, Ms. Cheng Huanhuan and Mr. Zhang Wenshan, to be re-elected at the AGM will be set out in the circular to the Shareholders to be despatched in due course.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

REMUNERATION POLICY

As of December 31, 2022, the Group had 5,816 employees (December 31, 2021: 5,077 employees), among which 84 were employees at the headquarters level and 5,732 were employees of self-owned hospitals. Total staff remuneration expenses including Directors' remuneration in 2022 amounted to RMB1,049.8 million (fiscal year of 2021: RMB718.6 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

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

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

RETIREMENT AND EMPLOYEE BENEFIT PLANS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2022, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As of December 31, 2022, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares[5]	Approximate percentage of total issued Shares[6]
Mr. Zhu Yiwen[(1) (2)]	Interest in a controlled corporation/Interest of concert parties/Beneficial interest	281,424,815 (L)	45.63%
Mr. Ren Ai[(3)(4)]	Interest in a controlled corporation/Interest of spouse/Beneficial interest	281,424,815 (L)	45.63%
Mr. Zhang Wenshan	Beneficial interest	32,235 (L)	0.01%

(b) Share Options granted by the Company

Name of Director	Number if underlying Shares held pursuant to share option scheme	Approximate percentage of total issues Shares[6]
Mr. Zhu Yiwen	280,000	0.05%
Ms. Cheng Huanhuan	80,000	0.01%
Mr. Ren Ai	120,000	0.02%
Mr. Zhang Wenshan	60,000	0.01%
Ms. Jiang Hui	60,000	0.01%

Notes:

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

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

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

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

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

(6) As at December 31, 2022, the total number of issued Shares was 616,724,200.

Interests in the associated corporation

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

Notes:

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

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

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

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

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

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

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

Save as disclosed above, as of December 31, 2022, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

CHANGES TO THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

(1) Mr. Chen Penghui resigned as an independent non-executive Director, the chairman of the remuneration committee of the Board and a member of the Audit Committee and Nomination Committee with effect from May 6, 2022 in order to devote more time to his other personal commitments; and

(2) Mr. Zhao Chun was appointed as an independent non-executive Director, the chairman of the remuneration committee of the Board and a member of the Audit Committee and Nomination Committee with effect from May 6, 2022.

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

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

As of December 31, 2022, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held[5]	Approximate percentage of shareholding in the Company
Century River Investment[1][3]	Interest in a controlled corporation/Interest of concert parties	281,424,815 (L)	45.63%
Century River[1][3]	Interest of concert parties/Beneficial interest	281,424,815 (L)	45.63%
Ms. Zhu[2][3][4]	Interest in a controlled corporation/Interest of concert parties/Interest of spouse	281,424,815 (L)	45.63%
Red Palm Investment[2][3]	Interest in a controlled corporation/Interest of concert parties	281,424,815 (L)	45.63%
Amber Tree[2][3]	Beneficial interest/Interest of concert parties	281,424,815 (L)	45.63%
Red Palm[2][3]	Beneficial interest/Interest of concert parties	281,424,815 (L)	45.63%
E Fund Management Co., Ltd. (易方達基金管理有限公司)	Investment manager	45,205,400 (L)	7.33%

Notes:

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

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

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

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

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

Save as disclosed above, as of December 31, 2022, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

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

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

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

PRE-IPO RESTRICTED SHARE SCHEME

The Company approved and adopted the Pre-IPO Restricted Share Scheme on July 17, 2019 to reward the participants for their contributions in the development of the Group, provide the participants with the opportunity to receive proprietary interests in the Shares and to encourage the participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Persons eligible to receive the restricted shares (the "**Restricted Shares**") under the Pre-IPO Restricted Share Scheme are the core employees or consultant of any member of the Group whom the Board considers, in its sole discretion, to have contributed or will contribute to the growth and development of the Group.

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

SHARE OPTION SCHEME

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

Under the Share Option Scheme, the Company is authorized to issue up to 18,540,000 Shares ("**Share Options**" or "**Option(s)**"), which represents 3% of the total number of issued Shares of the Company as at October 15, 2021. No Options shall be granted to any eligible person ("**Relevant Eligible Person**") if the number of Shares issued and to be issued upon the exercise of all Options granted and to be granted (including exercised, cancelled and outstanding options) to the Relevant Eligible Person in the 12-month period up to and including the offer date of the relevant Option would exceed 1% of the total number of Shares in issue at such time. The Share Option Scheme will be valid and effective for a period of 10 years commencing from October 15, 2021. The exercise period of the granted options will be ten (10) years from the date of grant. During the Reporting Period, no Share Options were exercised. As of the date of this annual report, 7,276,000 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 1.15% of the total number of issued Shares of the Company.

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

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

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the date of grant and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. Details of the movements of the Options granted and outstanding during the Reporting Period, the exercise price, the vesting date and the impact of Options granted under the Share Option Scheme on the financial statements are set out in the announcement of the Company dated August 24, 2021 and circular of the Company dated September 23, 2021 and under Note 28 to the consolidated financial statements.

The number of Share Options available for grant under the Share Option Scheme was 10,657,000 and 10,657,000 as of January 1, 2022 and December 31, 2022, respectively. During the Reporting Period, the number of Shares underlying the Share Options that granted under the Share Options Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is nil. The table below shows details of the movements in the Share Options granted and outstanding under the Share Option Scheme during the Reporting Period:

Category and name of participants	Date of grant	Exercise price per share	Closing price of Shares immediately before the date of grant	Closing price (weighted average) of Shares immediately before the date of exercise/vest	Fair value at the date of grant *(Note 5)*	Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested as at December 31, 2022	Exercised during the Reporting Period	Exercise Period	Cancelled/ lapsed/ forfeited during the Reporting Period *(Note 4)*	Exercise price of cancelled/ lapsed/ forfeited during the Reporting Period	Outstanding as at December 31, 2022	Vesting date *(Note 3)*	Performance targets
Directors or chief executive and their associate															
Mr. Zhu Yiwen	November 12, 2021	HK$66.80	HK$66.05	–	HK$6,740,146	280,000	–	–	–	10 years	–	–	280,000	*(Note 1)*	–
Ms. Cheng Huanhuan	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,925,756	80,000	–	–	–	10 years	–	–	80,000	*(Note 1)*	–
Mr. Ren Ai	November 12, 2021	HK$66.80	HK$66.05	–	HK$2,888,634	120,000	–	–	–	10 years	–	–	120,000	*(Note 1)*	–
Mr. Zhang Wenshan	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,444,317	60,000	–	–	–	10 years	–	–	60,000	*(Note 1)*	–
Ms. Jiang Hui	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,444,317	60,000	–	–	–	10 years	–	–	60,000	*(Note 1)*	–
Sub-total						600,000	–	–	–	–	–	–	600,000		
Substantial shareholders and their associate								N/A							
Participants with options in excess of 1% individual limit								N/A							
Related entity participants or service providers with options granted and to be granted during the year exceeding 0.1% individual limit								N/A							
Other employees participants (in aggregate) 557 employees	November 12, 2021	HK$66.80	HK$66.05	–	HK$153,656,830	7,259,000	–	–	–	10 years	521,000	–	6,738,000	*(Note 2)*	–
Sub-total						7,259,000	–	–	–	–	521,000	–	6,738,000		
Other related entity participants								N/A							
Other service providers								N/A							
Total						7,859,000	–	–	–	–	521,000	–	7,338,000		

Notes:

Note 1

As of December 31, 2022, the vesting dates of the Share Options granted to the Directors are as follows:

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

Note 2

As of December 31, 2022, the vesting dates of the Share Options granted to the employees are as follows:

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

Note 3

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

Note 4

Where the Share Options are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously 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 been prepared in accordance with all applicable IFRS and the disclosure requirements of Hong Kong Companies Ordinance Cap.622. For details of the basis of calculation, please refer to Note 28 of the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

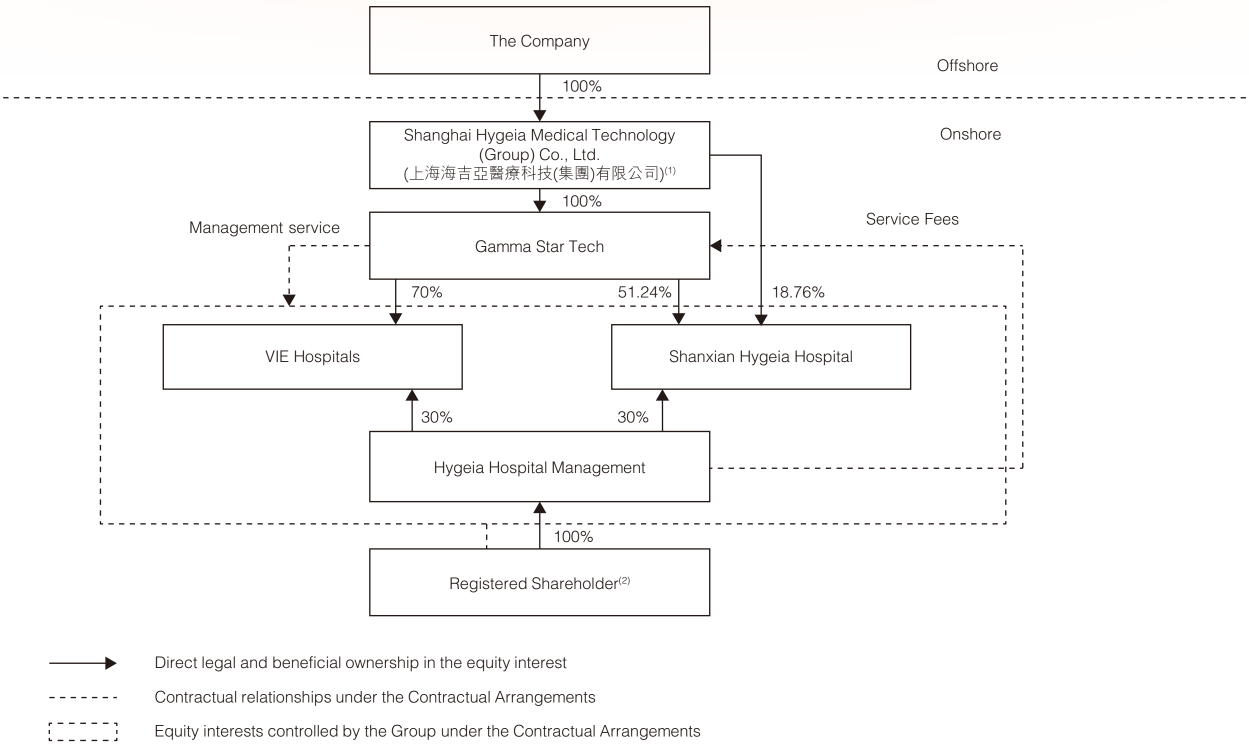
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions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

Contractual Arrangements

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

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

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



Notes:

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

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

Summary of the Material Terms of the Contractual Arrangements

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

(1) Exclusive Operation Services Agreements

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

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

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

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

(2) Exclusive Option Agreements

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

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

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

(3) Entrustment Agreements and Powers of Attorney

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

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

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

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

(4) Equity Pledge Agreements

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

(5) Spousal Undertakings

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

Business Activities and Financial Contribution of the VIE Hospitals

The VIE Hospitals are principally engaged in providing healthcare services. The Group owns 70% equity interest in each of the VIE Hospitals and as a result of the Contractual Arrangements, the Group has obtained control of the remaining equity interest of the VIE Hospitals through Hygeia Hospital Management. As such, the Company is entitled to receive substantially all of the economic interest returns generated by the VIE Hospitals. The following table sets forth the revenue and assets of the VIE Hospitals subject to the Contractual Arrangements during the Reporting Period:

	For the year ended December 31, 2022		As of December 31, 2022	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
VIE Hospitals	**2,257,093**	**70.6**	**4,472,911**	**61.8**

Governing Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The auditor of the Group has carried out certain procedures, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, under the requirements of Rule 14A.56 of the Listing Rules, on the transactions carried out pursuant to the Contractual Arrangements for the year ended December 31, 2022 and has provided a letter to the Board confirming that:

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

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

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

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

Material Changes

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2022, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Hospitals under the Contractual Arrangements.

Hospital Management and Cooperation Agreements

The Group manages and operates, and receives management fees from Handan Renhe Hospital. It also provides Radiotherapy Center Services to the hospital pursuant to the cooperation agreement it entered into with Handan Renhe Hospital.

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Handan Renhe Hospital Management Agreement

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

Handan Renhe Cooperation Agreement

Gamma Star Tech also entered into cooperation agreement with Handan Renhe Hospital (the "**Handan Renhe Cooperation Agreement**", together with the Handan Renhe Hospital Management Agreement, the "**Handan Renhe Hospital Management and Cooperation Agreements**") to provide Radiotherapy Center Services to Handan Renhe Hospital in exchange for service fees. In formulating the service fees, the Group generally takes into consideration of various factors including (i) the value of its proprietary SRT equipment; (ii) the frequency of use of its proprietary SRT equipment, including the number of sessions for a typical course of treatment using its proprietary SRT equipment and the amount of time spent for each session; (iii) the rate of decay of cobalt-60 source; and (iv) the prevailing market prices for similar services. The Group charges Handan Renhe Hospital service fees which are calculated as a percentage, normally on a declining scale over the term of the agreement, of revenue generated directly from use of its proprietary SRT equipment, after deduction of certain expenses and costs in accordance with the Handan Renhe Cooperation Agreement. The Handan Renhe Cooperation Agreement has a term of 10 years commencing from the date of the commencement of operation of respective radiotherapy center. The term of cooperation between the Group and Handan Renhe Hospital under the Handan Renhe Cooperation Agreement is from June 2012 to June 2022, which has been expired in June 2022 and no longer continue as at the date of this annual report.

Reasons for the Transactions

Handan Renhe Hospital Management Agreement

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

Handan Renhe Cooperation Agreement

Historically, the Group has been providing Radiotherapy Center Services to Handan Renhe Hospital. The Directors believe that provision of both management services and Radiotherapy Center Services to Handan Renhe Hospital generate more synergies and is in the Group's interest and in line with its business development strategies.

Annual Caps and Historical Amounts during the Reporting Period

Pursuant to the revision of annual caps for the Hospital Management and Cooperation Agreements with Handan Renhe Hospital and Kaiyuan Jiehua Hospital(1) in the announcement of the Company dated December 23, 2020, the maximum total amount of fees receivable by Gamma Star Tech from Handan Renhe Hospital and Kaiyuan Jiehua Hospital(1) under the Hospital Management and Cooperation Agreements with Handan Renhe Hospital and Kaiyuan Jiehua Hospital(1) for each of the three years ending December 31, 2020, 2021 and 2022 should not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2020	2021	2022
		(RMB in millions)	
Total amount of fees receivable under the Hospital Management Agreement with Handan Renhe Hospital and Kaiyuan Jiehua Hospital(1)	9.8	15.1	16.8
Total amount of fees receivable under the Cooperation Agreement with Handan Renhe Hospital and Kaiyuan Jiehua Hospital(1)	30.2	35.5	36.9
Total amount of fees receivable	40.0	50.6	53.7

Note:

(1) Kaiyuan Jiehua Hospital is a private not-for-profit hospital established under the laws of the PRC which the Group acquired on November 12, 2012, the organizer's interest of which is held by Gamma Star Tech and Xiangshang Investment as to 70% and 30%, respectively. Kaiyuan Jiehua Hospital completed a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital in 2021. Gamma Star Tech and Kaiyuan Jiehua Hospital entered into the termination agreements on May 31, 2021, to terminate the Kaiyuan Jiehua Hospital Cooperation Agreement and the Kaiyuan Jiehua Hospital Management Agreement and the continuing connected transactions thereunder.

Pursuant to the setting of new annual caps for the Handan Renhe Hospital Management Agreement in the announcement of the Company dated December 28, 2022, the maximum total amount of fees receivable by Gamma Star Tech from Handan Renhe Hospital under the Handan Renhe Hospital Management Agreement for each of the three years ending December 31, 2023, 2024 and 2025 should not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2023	2024	2025
		(RMB in millions)	
Total amount of fees receivable under the Handan Renhe Hospital Management Agreement	4.0	5.2	6.8

During the year ended December 31, 2022, the total amount of fees receivable under the Handan Renhe Hospital Management Agreement amounted to RMB2.9 million, and the total amount of fees receivable under the Handan Renhe Cooperation Agreement amounted to RMB11.4 million, which fall within the proposed annual cap as set out above.

Listing Rules Implications

Handan Renhe Hospital is a private not-for-profit hospital in which Xiangshang Investment (owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively) holds 30% organizer's interest (舉辦人權益), and hence an associate of Mr. Zhu and Ms. Zhu.

As the Handan Renhe Hospital Management Agreement and Handan Renhe Cooperation Agreement were entered into by the Group with Handan Renhe Hospital in respect of the management and operation of the Handan Renhe Hospital, such continuing connected transactions thereunder have been aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of these transactions is expected to, on an annual basis, exceed 0.1% but less than 5%, and they are on normal commercial terms or better, the transactions will be subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual Review by the Directors and Auditors

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2022, there is no other related party transaction or continuing related party transaction set out in Note 33 to the consolidated financial statements which constitutes connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

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

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the year ended December 31, 2022. No new business opportunity was informed by them as of December 31, 2022.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2022.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

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

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

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

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

(2) after the completion of the acquisition of the 99% equity interest in Hezhou Guangji Hospital, the 70% equity interest to be held by Gamma Star Tech in Hezhou Guangji Hospital shall be pledged in favor of the lender within 30 days after the first drawdown.

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

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

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

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

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

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

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

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

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

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

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

PRE-EMPTIVE RIGHTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of the Prospectus and this annual report, neither contract of significance made between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2022.

MANAGEMENT CONTRACTS

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

DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB0.6 million for the year ended December 31, 2022.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

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

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2022.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2022. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

There was no change in auditor of the Company since the Listing Date.

By order of the Board

Mr. Zhu Yiwen
Chairman

Hong Kong, March 20, 2023

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix 14 "Corporate Governance Code" (the "**CG Code**") to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code for the year ended December 31, 2022, except as disclosed below.

On March 30, 2021, Mr. Zhu Yiwen ("**Mr. Zhu**") was appointed as a non-executive Director and vice chairman of the Company. On July 6, 2021, the Company has appointed Mr. Zhu as the Chairman and he also ceased to act as the vice chairman of the Company. On August 23, 2021, Ms. Cheng Huanhuan was re-designated from the chief executive officer of the Company to co-chief executive officer of the Company and Mr. Zhu was re-designated from a non-executive Director to an executive Director as well as appointed as the chief executive officer of the Company. Since then, Mr. Zhu assumes the dual role as the Chairman and the chief executive officer of the Company. Notwithstanding that code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, the Board is of the view that with support of the mature corporate structure of the Company with a strict operational system and a set of procedural rules for the Board meetings, the Chairman does not have any power different from that of other Directors in relation to the decision making process. Moreover, the Company has also implemented an integrated system and a structured procedure to daily operations of the Group which ensure the diligence and efficiency of the chief executive officer. As such, the Board believes that the management structure of the Company will ensure management efficiency and at the same time, protect the rights of all Shareholders to the greatest extent. The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the disclosure requirements as set out in Appendix 14 of the Listing Rules.

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

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

We acknowledge that to survive in a competitive business environment, both are intertwined and the key for success would be to ensure the board practices good governance while having sustainability in mind. The Group is keen to monitor and response to changes in its business and the external environment. Therefore, the Group is committed to strengthening its management's efforts to promote a sustainable development plan through good corporate governance, environmental protection, community investment and workplace practices. The Company will issue separately an Environmental, Social and Governance Report (the "**ESG Report**"). The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. The ESG Report will present the Company's commitment to sustainable development during the year under review, and it will cover the key social, environmental and economic aspects and its respective impact arising from the activities of the Group.

CORPORATE STRATEGIES, BUSINESS MODEL AND CULTURE

Corporate Culture and Values

Our vision

Making Healthcare Services More Accessible and Affordable and Making Life Healthier

Our values

Telling the Truth, Being Pragmatic and Acting with Integrity

Our Objectives

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

Our Strategies and Business Models

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals and radiotherapy centers through a combination of organic growth, strategic acquisitions and cooperation with hospital partners. As of December 31, 2022, we operated or managed a network of 12 oncology-focused hospitals, with these in-network hospitals spanning across nine cities in seven provinces in China. In addition, we also provided services to 24 hospital partners in connection with their radiotherapy centers, which were located in thirteen provinces in China.

Our Competitive Advantages

- The advanced oncology healthcare group in China, well positioned to capture the significant unmet demand

- An extensive and nationwide footprint of oncology-focused hospitals and radiotherapy centers

- A high-caliber and multi-disciplinary team of medical professionals

- Unique and vertically integrated radiotherapy service model underpinned by our proprietary SRT equipment.

- Highly scalable business model empowered by our centralized and standardized management system

- Experienced and visionary management team with strong support from Shareholders

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended December 31, 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the year ended December 31, 2022.

THE BOARD

Board Composition

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

Executive Directors

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

Independent Non-executive Directors

Mr. Liu Yanqun
Mr. Ye Changqing
Mr. Zhao Chun *(appointed with effect from May 6, 2022)*
Mr. Chen Penghui *(resigned with effect from May 6, 2022)*

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

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

Independent Non-executive Directors and independence mechanism

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

For the year ended December 31, 2022, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2022, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

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

Each of independent non-executive Director possesses professional knowledge and experience in difference aspects which may enhance the diversity of the skills and perspectives to the Board. Mr. Liu Yanqun is a renowned medical expert in dermatology with over 40 years of experience in clinical practice and research. Mr. Zhao Chun has more than 22 years of experience in the hospital management sector. Mr. Ye Changqing has over 25 years of experience in professional accounting, financial advisory and investment services. Each of Mr. Liu, Mr. Zhao and Mr. Ye, without any interference of other executive Directors, may contribute their individual independent judgements and opinions on making substantial corporate decisions and strategic development of the Group, particularly for those involving in major acquisitions and disposals or material transactions (in particular those that may involve conflict of interests) of the Group.

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

Appointment, Resignation and Re-election of Directors

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

Mr. Chen Penghui resigned as an independent non-executive Director and Mr. Zhao Chun has been appointed as an independent non-executive Director, both effective on May 6, 2022. For details, please refer to the announcement of the Company dated May 6, 2022.

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

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

Accordingly, Mr. Zhu Yiwen (an executive Director), Ms. Cheng Huanhuan (an executive Director) and Mr. Zhang Wenshan (an executive Director) shall retire from office by rotation at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-election at the AGM.

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

The Nomination Committee has considered that each of Mr. Zhi Yiwen (who founded the Group in November 2009, with rich experience in the healthcare industry and with over 30 years of clinical experience as an experienced physician), Ms. Cheng Huanhuan (who joined the Group for more than 10 years since it started its business in 2009 and was re-designated as the co-chief executive officer of the Company in 2021) and Mr. Zhang Wenshan (who joined the Group for more than 10 years), are all in possession of rich experience in the daily management and operations of the Group. The Nomination Committee is satisfied that each of Mr. Zhu Yiwen, Ms. Cheng Huanhuan and Mr. Zhang Wenshan has performed their duties as executive Directors effectively. The Board is of the opinion that each of Mr. Zhu Yiwen, Ms. Cheng Huanhuan and Mr. Zhang Wenshan with their knowledge and experience will continue to bring valuable contribution to the Board.

The Nomination Committee has nominated, and the Board has recommended Mr. Zhu Yiwen, Ms. Cheng Huanhuan and Mr. Zhang Wenshan to stand for re-election at the AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Remuneration of Directors and Senior Management

Remuneration Policy

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

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

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

Details of the remuneration of the members of the Board for the year ended December 31, 2022 are set out in Note 40 to the consolidated financial statements in this annual report.

The remuneration of the senior management members of the Company by band during the year ended December 31, 2022 is set out below:

Remuneration Band	Number of individuals
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	1

Continuous Professional Development of Directors

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

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

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

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

For the year ended December 31, 2022, all the current Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

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

Board Diversity

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

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

Directors' Diversity

Name of Director	Gender	Age	Working Experience	Educational Level	Other Accreditation
Zhu Yiwen (朱義文)	Male	59	Over 30 years of clinical experience as an experienced physician	– Graduated from universities – Obtained bachelor's degree in medicine, majoring in neurosurgery – Obtained master's degree in clinical medicine	– Was accredited as an associate-chief physician – Was an associate professor by the Personnel Department of Jiangsu Province (江蘇省人事廳) – Was a member of Chinese Medical Association (中華醫學會) – Was a member of Radiation Oncology Specialty Society (放射腫瘤治療專科學會) of Jiangsu Branch of the Chinese Medical Association (中華醫學會江蘇分會)
Cheng Huanhuan (程歡歡)	Female	39	Over 15 years of working experience, primarily responsible for implementing decisions of the Board, overseeing the daily operation and management, building corporate culture, assisting with various board matters in relation to development strategies, operational goals and corporate governance	– Graduated from universities – Obtained bachelor's degree in literature – Obtained master's degree in translation studies	

Corporate Governance Report

Name of Director	Gender	Age	Working Experience	Educational Level	Other Accreditation
Ren Ai (任愛)	Male	38	Over 15 years of working experience, primarily responsible for assisting in overseeing the daily operation and management, in charge of the investment and financing, supply chain management and human resources	– Graduated from universities – Obtained bachelor's degree in engineering – Obtained master's degree in business administration	
Zhang Wenshan (張文山)	Male	41	Over 15 years of working experience, primarily responsible for overseeing the research, development and manufacturing operations	– Graduated from university – Obtained bachelor's degree in administrative management	
Jiang Hui (姜蕙)	Female	47	Over 20 years of working experience, primarily responsible for overseeing the business operation of the Group's in-network radiotherapy centers	– Graduated from university – Obtained bachelor's degree in accounting	Was accredited as a mid-level accountant by the Shanghai Bureau of Human Resources and Social Security (上海市人力資源和社會保障局)
Liu Yanqun (劉彥群)	Male	66	– Over 40 years of experience in clinical practice and research – is a renowned medical expert in dermatology	– Graduated from universities – Obtained bachelor's degree in medicine – Obtained master's degree in dermatology	– Was accredited as a chief physician and a professor by the Human Resources and Social Security Department of Jiangsu (江蘇省人力資源和社會保障廳) – Obtained numerous honors and awards, including, among others, the Special Government Allowances (政府特殊津貼) awarded by the State Council in recognition of his contribution to the nation's medical and healthcare services, and the Second Price in Natural Science (自然科學獎二等獎) awarded by the Ministry of Education of the PRC for his clinical research in genetic therapy for malignant tumor

Name of Director	Gender	Age	Working Experience	Educational Level	Other Accreditation
Zhao Chun (趙淳)	Male	70	Over 22 years of experience in the hospital management sector	– Graduated from university – Obtained diploma in philosophy	– Currently the executive vice president of the Management of Private Hospitals Branch of Chinese Hospital Association (中國醫院協會－民營醫院管理分會) – Currently served as the chairman of committee of the Chinese Medical Foundation of Medical Clinical Specialist Development Specialist Committee (中國醫學基金會醫學臨床專科發展專業委員會) – Previously held other positions, including the deputy secretary general and secretary general – Previously served as the vice chairman of the Expert Certification Committee on the Competitiveness of Chinese Private Hospital (中國醫院競爭力(民營)星級認證專家委員會) of the Hong Kong Institute of Asclepius Hospital Management* (香港艾力彼醫院管理研究中心) – Previously served as the deputy secretary general of Chinese Hospital Association (中國醫院協會)
Ye Changqing (葉長青)	Male	52	Over 25 years of experience in professional accounting, financial advisory and investment services	– Graduated from Universities – Obtained his bachelor's degree in journalism – Obtained master's degree in business administration	Currently a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會)

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

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

Workforce Diversity

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

Adhering to the philosophy of being people-oriented, the Group cherishes the talents of employees, protects the rights and interests of employees, and is committed to providing employees with a good and stable career development platform to achieve the common development of employees and the Group. As of December 31, 2022, the Group had a total of 5,816 employees, including 1,739 male employees and 4,077 female employees, all located in Mainland China.

The following table shows the total number of employees of the Group by gender, age, position and employment type as of December 31, 2022.

Unit: Number of Employees	Age Group				
Gender	30 or below	31 to 40	41 to 50	51 or above	Total
Male	553	587	285	314	1,739
Female	2,160	1,354	379	184	4,077
Total	2,713	1,941	664	498	5,816

Employment Type		
Full-time	Part-time	Total
5,806	10	5,816

Position			
General Employees	Mid-level Management	Senior Management and Directors	Total
5,120	621	75	5,816

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee was established by the Board with specific written terms of reference. The terms of reference for the Audit Committee is available on the Company's website and the website of the Stock Exchange. The Audit Committee during the year and as at the date of this annual report consists of Mr. Ye Changqing, Mr. Liu Yanqun, Mr. Chen Penghui (ceased on May 6, 2022) and Mr. Zhao Chun (appointed on May 6, 2022), being all the independent non-executive Directors and is chaired by Mr. Ye Changqing who possesses appropriate professional accounting qualification as required under the Listing Rules.

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

The Audit Committee held 2 meetings and met the Company's external auditors during the year ended December 31, 2022.

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

- Reviewed the draft annual report and accounts as well as the draft annual results announcement for the year ended December 31, 2021;
- Reviewed the draft interim report and accounts as well as the draft interim results announcement for the six months ended June 30, 2022;
- Discussed with the external auditors the nature and scope of the audit and reporting obligations;
- Considered the re-appointment of the external auditors;
- Reviewed the effectiveness of the risk management and internal control systems;
- Reviewed the continuing connected transactions of the Company; and
- Considered the terms of engagement of the external auditors, including their proposed fees.

Remuneration Committee

The Remuneration Committee was established by the Board with specific written terms of reference. The terms of reference for the Remuneration Committee (which was updated on November 25, 2022) is available on the Company's website and the website of the Stock Exchange. The Remuneration Committee during the year and as of the date of this annual report consists of Mr. Ren Ai, Mr. Liu Yanqun, Mr. Chen Penghui (resigned on May 6, 2022) and Mr. Zhao Chun (appointed on May 6, 2022), and is currently chaired by Mr. Zhao Chun.

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

The Remuneration Committee held 1 meeting during the year ended December 31, 2022.

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

- Reviewed and approved the matters relating to share schemes under Chapter 17 of the Listing Rules (if applicable);
- Reviewed the Company's remuneration policy and structure for all Directors and Senior Management; and
- Considered the remuneration package for the appointment of an independent non-executive Director.

Nomination Committee

The Nomination Committee was established by the Board with specific written terms of reference. The terms of reference for the Nomination Committee is available on the Company's website and the website of the Stock Exchange. The Nomination Committee during the year and as of the date of this annual report consists of Mr. Ren Ai, Mr. Liu Yanqun, Mr. Chen Penghui (resigned on May 6, 2022), Mr. Zhao Chun (appointed on May 6, 2022) with Mr. Liu Yanqun acts as the chairman of the Nomination Committee.

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

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

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

The Nomination Committee held 1 meeting during the year ended December 31, 2022.

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

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

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision C.5.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. 9 Board meetings were held for the year ended December 31, 2022.

The attendance records of each Director at the Board and Board Committee meetings of the Company held during the year ended December 31, 2022 is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Zhu Yiwen *(Chairman)*	9	N/A	N/A	N/A
Ms. Cheng Huanhuan	9	N/A	N/A	N/A
Mr. Ren Ai	9	N/A	1	1
Mr. Zhang Wenshan	9	N/A	N/A	N/A
Ms. Jiang Hui	9	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Liu Yanqun	9	2	1	1
Mr. Ye Changqing	9	2	N/A	N/A
Mr. Chen Penghui *(Note 1)*	3	1	1	1
Mr. Zhao Chun *(Note 2)*	6	1	0	0

The annual general meeting of the Company was held on June 28, 2022 (the "**2022 AGM**").

The attendance records of each Director at the 2022 AGM held during the year ended December 31, 2022 is set out in the table below:

Name of Director	Attendance of the 2022 AGM
Executive Directors	
Mr. Zhu Yiwen *(Chairman)*	✓
Ms. Cheng Huanhuan	✓
Mr. Ren Ai	✓
Mr. Zhang Wenshan	✓
Ms. Jiang Hui	✓
Independent Non-executive Directors	
Mr. Liu Yanqun	✓
Mr. Ye Changqing	✓
Mr. Chen Penghui *(Note 1)*	N/A
Mr. Zhao Chun *(Note 2)*	✓

Notes:

1. Mr. Chen Penghui resigned as an independent non-executive Director effective from May 6, 2022. Mr. Chen also ceased to act as a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board effective from May 6, 2022.

2. Mr. Zhao Chun was appointed as an independent non-executive Director effective from May 6, 2022. Mr. Zhao was also appointed as a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board effective from May 6, 2022.

During the year ended December 31, 2022, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2022.

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 88 to 93 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, for the year ended December 31, 2022, is set out below:

Type of Services	Amount *(RMB'000)*
Audit services	3,500
Non-audit services	—
Total	**3,500**

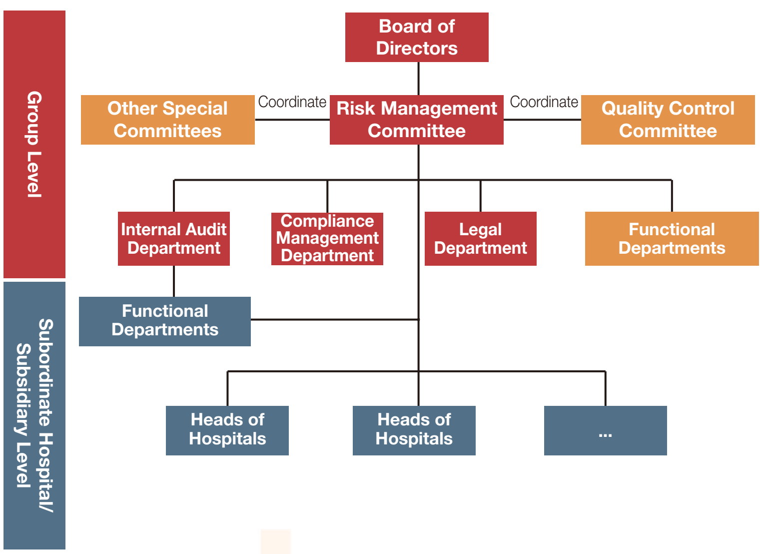
RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

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

Risk Management and Internal Control Framework

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



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

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

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

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

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

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

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

Anti-corruption

The Group resolutely eradicates all forms of corruption, and explicitly prohibits commercial bribery by formulating relevant internal policies. In November 2021, the National Health Commission, the National Medical Insurance Administration and the National Administration of Traditional Chinese Medicine issued the Notice on Issuing the Nine Principles for the Incorruptible Practice of Staff in Medical Institutions (《關於印發醫療機構工作人員廉潔從業九項準則的通知》). Through formulation of the internal code of conduct and organization of related training courses, the Group requires all employees to practice with integrity, and keep the nine principles in mind and put them into practice. For details, please refer to the 2022 Environmental, Social and Governance Report.

Review of Risk Management and Internal Control for 2022

The Board was responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness twice a year for the periods ended June 30, 2022 and December 31, 2022. Such systems, which covered all important aspects of control, including financial control, operation control and compliance control, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended December 31, 2022, the Board completed the review of the Group's risk management and internal control systems and was satisfied with the results. The Board and management also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting. The Company considers that the training courses and related budgets received by the staff were adequate.

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

The Group has established a comprehensive risk management system and has achieved organic integration with the existing internal control system. Through systematic risk assessment procedures, the Group identified and established a list of risks (including, among others, the financial risks, ESG risk, operations risk, process risk and economic risk) in line with the Company's business conditions and environmental changes, evaluated the likelihood and impact of risks to rank the severity of such impacts on the Group's business, and then formulated risk management measures to control the risks to an acceptable level. Finally, through internal supervision, the Group effectively implemented risk management measures, reflecting the effect of risk management. In respect of the Group's financial risks, the principal risks for operations and the ESG risks and its performance, please refer to the sub-sections headed "Foreign Exchange Risk", "Interest Rate Risk", "Credit Risk" and "Liquidity Risk" under Management Discussion and Analysis as set out on pages 24 to 25 of this annual report and the sub-sections headed "PRINCIPAL RISKS AND UNCERTAINTIES", "ENVIRONMENTAL POLICIES AND PERFORMANCE" and "COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS" under Directors' Report as set out on pages 32 to 33 of this annual report. Please also refer to a separate report "2022 Environmental, Social and Governance Report" for details of the Group's sustainable development and stakeholder engagement.

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

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended December 31, 2022, to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting, to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board concluded that these procedures did not identify any material internal control deficiencies of the Group. The Board considers that the risk management and internal control systems of the Group are effective and adequate.

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

JOINT COMPANY SECRETARIES

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

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

Mr. Lau Kwok Yin (劉國賢), aged 37, an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, has over 10 years' experience in corporate secretarial services, finance and bank operations. He holds a bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charter holder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

For the year ended December 31, 2022, the joint company secretaries of the Company have undertaken not less than 15 hours of relevant professional training which in compliant with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

During the year under review, an annual general meeting of the Company was held on June 28, 2022, at which all the Directors attended either in person or by electronic means to communicate with the Shareholders. In addition, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board reviewed the Company's Shareholders engagement and communication activities conducted in 2022 and was satisfied with the implementation and effectiveness of the Shareholders' communication policy of the Company.

DIVIDEND POLICY

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

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

Enquiries to the Board

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

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

CONSTITUTIONAL DOCUMENTS

In order to further improve the Company's corporate governance, and bring the existing memorandum and articles of association of the Company in line with the recent changes to the Listing Rules, the Board proposed to amend the existing memorandum and articles of association of the Company and to adopt a new articles of association of the Company (the "**New Articles of Association**") on May 6, 2022. The adoption of the New Articles of Association was duly approved by the Shareholders at the 2022 AGM. For details, please refer to the Company's announcements dated May 6, 2022 and June 28, 2022, as well as the Company's circular dated May 13, 2022. Save for the aforesaid, there was no change in the Company's Articles of Association during the year ended December 31, 2022.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Hygeia Healthcare Holding Co., Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 94 to 182, comprise:

- the consolidated statement of comprehensive income for the year ended December 31, 2022;
- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter identified in our audit is related to goodwill impairment assessment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to Note 2.7, Note 4 (a) and Note 14 (a) to the consolidated financial statements. As at December 31, 2022, balance of goodwill of the Group amounted to RMB2,235,276,000 which accounted for approximately 30.8% of the total assets of the Group. Goodwill mainly arose from the Group's business combination activities. For the purposes of goodwill impairment assessment, management considered each of the acquired target companies or groups as a separate cash-generated-unit ("CGU") and goodwill has been allocated to each of the CGUs. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. The value-in-use calculation requires the Group to forecast the future cash flows expected to arise from the CGU based on the financial budgets approved by management. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate method to perform goodwill impairment assessment and the use of key assumptions in the value-in-use calculation, which primarily include revenue growth rate costs and operating expenses ratio, long-term growth rate and discount rate. The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the goodwill impairment assessment is considered significant due to uncertainty of significant assumptions used. We consider this area a key audit matter due to the significance of the goodwill balance and the significant judgements and estimates involved in the goodwill impairment assessment.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested management's key controls in relation to the goodwill impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • Assessed the appropriateness of the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policies and our understanding of the Group's business. • Obtained management's assessment on goodwill impairment and engaged our in-house valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rate used by management. • Challenged and assessed the reasonableness of the key assumptions used in the value-in-use calculation. For the revenue growth rate and costs and operating expenses ratio, we compared them with the relevant historical data and market data, where applicable; for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process. • Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount. • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. We found that the significant judgements and estimates involved in the goodwill impairment assessment were properly supported by available evidences.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 20, 2023

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	3,195,648	2,315,349
Cost of revenue	8	(2,167,095)	(1,557,850)
Gross profit		1,028,553	757,499
Selling expenses	8	(26,091)	(20,976)
Administrative expenses	8	(296,927)	(228,523)
Other income	6	21,336	16,012
Other (losses)/gains — net	7	(60,050)	69,763
Operating profit		666,821	593,775
Finance income	10	17,318	2,155
Finance costs	10	(40,828)	(23,085)
Finance costs-net		(23,510)	(20,930)
Profit before income tax		643,311	572,845
Income tax expense	11	(161,435)	(119,642)
Profit and total comprehensive income for the year		481,876	453,203
Profit and total comprehensive income attributable to			
—Owners of the Company		476,784	441,457
—Non-controlling interests		5,092	11,746
Earnings per share (expressed in RMB per share)			
—Basic earnings per share (in RMB)	12	0.77	0.71
—Diluted earnings per share (in RMB)	12	0.77	0.71

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

Consolidated Statement of Financial Position

		As at December 31,	
	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,998,903	2,517,144
Intangible assets	14	2,383,850	2,381,150
Prepayments for non-current assets	20	78,544	50,082
Deferred income tax assets	15	31,174	17,790
Total non-current assets		5,492,471	4,966,166
Current assets			
Inventories	16	153,859	107,180
Trade, other receivables and prepayments	20	694,293	499,663
Amounts due from related parties	33	16,608	9,460
Financial assets at fair value through profit or loss	18	30,946	397,400
Cash and cash equivalents	19	853,768	707,069
Total current assets		1,749,474	1,720,772
Total assets		7,241,945	6,686,938
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	21	7,047,087	7,082,915
Other reserves	22	(2,851,903)	(2,929,602)
Retained earnings	23	738,573	303,141
		4,933,757	4,456,454
Non-controlling interests		6,306	21,258
Total equity		4,940,063	4,477,712

Consolidated Statement of Financial Position

	Notes	As at December 31, 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	1,102,860	1,196,478
Deferred income tax liabilities	15	126,982	115,250
Deferred revenue	25	34,573	34,431
Lease liabilities	26	3,128	416
Other non-current liabilities	27	8,308	8,044
Total non-current liabilities		1,275,851	1,354,619
Current liabilities			
Trade and other payables	29	740,847	732,461
Amounts due to related parties	33	—	48
Contract liabilities	30	29,204	32,485
Current income tax liabilities		72,850	54,848
Lease liabilities	26	2,727	392
Borrowings	24	180,403	34,373
Total current liabilities		1,026,031	854,607
Total liabilities		2,301,882	2,209,226
Total equity and liabilities		7,241,945	6,686,938

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

The consolidated financial statements on pages 94 to 182 were approved by the board of directors (the "Board") on March 20, 2023 and were signed on its behalf.

Zhu Yiwen
Director

Ren Ai
Director

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital and premium RMB'000 (Note 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000	Total RMB'000		
Balance at January 1, 2022		7,082,915	(2,929,602)	303,141	4,456,454	21,258	4,477,712
Comprehensive income							
Profit for the year		–	–	476,784	476,784	5,092	481,876
Total comprehensive income for the period		–	–	476,784	476,784	5,092	481,876
Transactions with owners in their capacity as owners							
Acquired additional shares of subsidiaries	36	–	(1,738)	–	(1,738)	(20,044)	(21,782)
Share-based compensation	28	–	38,085	–	38,085	–	38,085
Transfer to statutory reserves	23	–	41,352	(41,352)	–	–	–
Repurchase of ordinary shares	21	(35,828)	–	–	(35,828)	–	(35,828)
Total transactions with owners in their capacity as owners		(35,828)	77,699	(41,352)	519	(20,044)	(19,525)
Balance at December 31, 2022		7,047,087	(2,851,903)	738,573	4,933,757	6,306	4,940,063

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Notes	Share capital and premium *RMB'000* *(Note 21)*	Shares held for employee share scheme *RMB'000*	Other reserves *RMB'000* *(Note 22)*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total (deficits)/ equity *RMB'000*
Balance at January 1, 2021		7,123,502	–*	(2,747,909)	(107,826)	4,267,767	73,610	4,341,377
Comprehensive income								
Profit for the year		–	–	–	441,457	441,457	11,746	453,203
Total comprehensive income for the period		–	–	–	441,457	441,457	11,746	453,203
Transactions with owners in their capacity as owners								
Acquired additional shares of a subsidiary	*22*	–	–	(185,448)	–	(185,448)	(80,662)	(266,110)
Share-based compensation	*28*	–	–	6,759	–	6,759	–	6,759
Exercise of employee share scheme		33,494	–*	(33,494)	–	–	–	–
Dividends		(74,081)	–	–	–	(74,081)	–	(74,081)
Transfer to statutory reserves	*23*	–	–	30,490	(30,490)	–	–	–
Non-controlling interests arising from business combination		–	–	–	–	–	11,807	11,807
Non-controlling interests arising from acquisition of subsidiaries		–	–	–	–	–	4,757	4,757
Total transactions with owners in their capacity as owners		(40,587)	–	(181,693)	(30,490)	(252,770)	(64,098)	(316,868)
Balance at December 31, 2021		7,082,915	–	(2,929,602)	303,141	4,456,454	21,258	4,477,712

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

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

Consolidated Statement of Cash Flows

	Notes	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**813,145**	504,387
Interest received		**17,318**	2,155
Income tax paid		**(145,085)**	(80,291)
Net cash generated from operating activities		**685,378**	426,251
Cash flows from investing activities			
Purchases of property, plant and equipment		**(593,121)**	(663,092)
Proceeds from disposal of property, plant and equipment and intangible assets	32(b)	**12,589**	20,207
Purchases of intangible assets		**(13,783)**	(5,915)
Payments for acquisition of subsidiaries, net of cash acquired		**(146,591)**	(2,047,851)
Payments for purchases of financial assets at fair value through profit or loss	3.3	**(348,156)**	(3,204,173)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3	**717,002**	5,049,978
Net cash used in investing activities		**(372,060)**	(850,846)
Cash flows from financing activities			
Borrowing interest paid		**(54,456)**	(22,976)
Repayments of bank borrowings	32(c)	**(421,193)**	(88,500)
Proceeds from bank borrowings	32(c)	**393,504**	1,196,351
Payments of lease liabilities, including interest	32(c)	**(2,615)**	(2,025)
Payments for repurchase of ordinary shares		**(35,828)**	—
Dividends paid to the Company's shareholders		**—**	(74,081)
Payments for acquisition of additional shares of subsidiaries		**(33,618)**	(254,274)
Net cash (used)/generated from financing activities		**(154,206)**	754,495
Net increase in cash and cash equivalents		**159,112**	329,900
Effect on exchange rate difference		**(12,413)**	(7,935)
Cash and cash equivalents at beginning of the year		**707,069**	385,104
Cash and cash equivalents at end of the year	19	**853,768**	707,069

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(ii) Historical cost convention

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

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

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

		Effective for annual periods beginning on or after
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(a) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For business combination under common control, the merger accounting has been applied. In applying merger accounting, the financial information for the reporting period incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The comparative amounts in the financial information for the reporting period are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction — that is, as transactions with equity owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the financial information for the reporting period.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income within "other gains/(losses) – net" excluded for the amount of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

2.4.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period is capitalized in property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the periods in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of comprehensive income.

Construction-in-progress (the "CIP") represents buildings under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost is transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

2.6.1 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the hospital (Note 14(a)).

2.6.2 Medical licenses

Medical licenses acquired in a business combination are recognized at fair value at the acquisition date. These Medical licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 30 years.

2.6.3 Contractual rights to provide management services

Contractual rights to provide management services are the rights to provide management services to hospitals. These contractual rights acquired in a business combination are recognized at fair value at the acquisition date. These contractual rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives of 40 years.

2.6.4 Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintaining computer software programmes are recognized as expense as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

2.6.5 Research and development

Research expenditure is recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique intangible asset controlled by the Group are recognized as intangible assets when the following criteria are met:

— it is technically feasible to complete the intangible asset so that it will be available for use;

— management intends to complete the intangible asset and use or sell it;

— there is an ability to use or sell the intangible asset;

— it can be demonstrated how the intangible asset will generate probable future economic benefits;

— adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

— the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the intangible asset include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

During the reporting period, there were no development costs meeting these criteria and capitalised as intangible assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortization and depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets, except for goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

— those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

See Note 17 for details about each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

— Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

— Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses)-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses)-net and impairment expenses in other expenses.

— Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within other gains/(losses) — net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iii) Impairment of financial assets

The Group has the following types of financial assets subject to IFRS 9's new expected credit loss model:

— trade receivables for sales of goods or provision of services; and

— other receivables and due from related parties.

While cash and cash equivalents and term deposits with initial term of over three months are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

Impairment of other receivables and due from related parties are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(iv) Derecognition of financial instruments

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iv) Derecognition of financial instruments (Continued)

Financial assets (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

— the carrying amount of the financial asset transferred; and

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

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

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.8 for a description of the Group's impairment policy for trade and other receivables.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases its equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing cost also include the exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

2.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.18.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

2.18.2 Deferred income tax

(i) Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.18.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

2.19.1 Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group based in the PRC participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees based in the PRC payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

A subsidiary of the Group operates a supplementary defined contribution retirement benefit plan (the "Corporate Pension Plan"). Contributions are made based on certain fixed amounts and are expensed as incurred. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of the Corporate Pension Plan are held separately by a PRC insurance company. If the employee leaves employment prior to the contributions vesting fully, part of the contributions are refunded to the Group, in accordance with the rules of the Corporate Pension Plan.

2.19.2 Housing funds, medical insurances and other social insurances

The employees of the Group based in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed as incurred.

2.19.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

2.19.4 Employee leave entitlement

Employee entitlement to annual leave is recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date. Employees entitlement to sick leave and maternity leave are not recognized until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

2.19.5 Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.19.6 Share-based compensation benefits of the Group

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (including share options) is recognized as an expense on the consolidated statements of comprehensive income. If the employees are entitled to receive dividends during the vesting period, the dividends expected to be paid during the vesting period is included in the award's grant date fair value. The total amount to be expensed is determined by reference to the fair value of the equity instruments (including share options) granted:

— Including any market performance conditions;

— Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and

— Excluding the impact of any service and non-market performance vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments (including share options) that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital. The prepaid exercise price is recorded in equity or liabilities depending on whether the Group has the obligation to settle it by cash or other financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.21 Revenue recognition

The Group operates two types of business, namely:

(i) Hospital Business; and

(ii) Other Business.

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

2.21.1 Hospital Business

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

2.21.1 Hospital Business (Continued)

(a) Outpatient services

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

(b) Inpatient services

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

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

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

2.21.2 Other Business

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

2.21.2 Other Business (Continued)

(a) Radiotherapy center service

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

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

(b) Radiotherapy equipment lease

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

(c) Radiotherapy equipment sales

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

(d) Radiotherapy equipment disposal service

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

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

The Group also provides radiotherapy equipment post-sales repair and maintenance service to those bought the radiotherapy equipment from the Group and charges them at a fixed fee. Radiotherapy equipment post-sales repair and maintenance service is recognized evenly over the service period as specified in the contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

2.21.2 Other Business (Continued)

(f) Hospital management services

The Group provides the management related services to other hospitals over the service period-the usual period of service lasts for 40 years. The hospital receives and consumes the benefits provided by the Group's performance as the Group performs. The Group uses a time-based measure of progress. Revenue from provision of trustee hospital management services is recognized over the period in which the services are rendered.

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

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

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

2.22 Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.23 Leases

The Group as the lessee:

The Group leases various land and properties. Rental contracts are typically made for a fixed period of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

The Group as the lessee: (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payments that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability;

— any lease payments made at or before the commencement date less any lease incentives received;

— any initial direct costs; and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Group as the lessor:

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term (Note 5). The respective leased assets are included in the balance sheet based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial information in the reporting period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statements of comprehensive income on a straight- line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Market risk

(i) Foreign exchange risk

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Assets		
USD	**21,614**	7,722
HKD	**252**	39
	21,866	7,761
Liabilities		
USD	**696,460**	988,584

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at December 31, 2022, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the year would have been approximately RMB33,742,000 higher/lower (December 31, 2021: approximately RMB49,043,000 higher/lower).

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains included in other (losses)/gains *(Note 7)*	**(70,885)**	9,812
Exchange losses on foreign currency borrowing included in finance costs *(Note 10)*	**(5,947)**	—
Total net foreign exchange (losses)/gains recognized in profit before income tax for the period	**(76,832)**	9,812

(ii) Cash flow and fair value interest rate risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

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

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

	As at December 31, 2022		As at December 31, 2021	
	RMB'000	***% of total borrowings***	*RMB'000*	*% of total borrowings*
Floating-rate bank borrowings	**930,836**	73%	**1,013,106**	82%
Fixed-rate bank borrowings				
– repricing or maturity dates:				
—Within 1 year	**153,301**	12%	**21,774**	2%
—Between 1 and 2 years	**188,758**	14%	**21,774**	2%
—Between 2 and 5 years	**10,368**	1%	**174,197**	14%
	1,283,263	100%	**1,230,851**	100%

As at December 31, 2022, bank borrowings of the Group which were bearing at floating rates amounted to approximately RMB930,836,000 (December 31, 2021: approximately RMB1,013,106,000). For the year ended December 31, 2022, if the floating interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the pre-tax profit would have been RMB2,327,000 lower/higher (2021: RMB2,532,000 lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties, financial assets at fair value through profit or loss and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

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

The Group's trade receivables are mainly from providing medical service to patients as well as providing services to the radiotherapy centers and trustee hospitals. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority 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, provided fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimise the credit risk. For the receivables from the radiotherapy centers and trustee hospitals, the Group has granted credit term of 0–90 days and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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

— internal credit rating;

— external credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

— actual or expected significant changes in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

— significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Trade receivables

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

The historical loss rates for each aging bucket are derived base on the probability of a receivable progressing through successive stages of delinquency to write-off.

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

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

(ii) Other receivables and due from related parties

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

As at December 31, 2022 and 2021, the directors of the Company considered that other receivables and due from related parties were performing and within stage 1. The Group considered the 12-month expected credit losses of the other receivables and due from related parties are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

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

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying Amount *RMB'000*
As at December 31, 2022						
Trade and other payables excluding non-financial liabilities	507,823	–	–	–	507,823	507,823
Lease liabilities	2,962	965	2,270	311	6,508	5,855
Borrowings	244,584	978,801	178,639	–	1,402,024	1,283,263
Total	755,369	979,766	180,909	311	1,916,355	1,796,941
As at December 31, 2021						
Trade and other payables excluding non-financial liabilities	516,709	–	–	–	516,709	516,709
Lease liabilities	426	426	–	–	852	808
Borrowings	69,055	143,573	1,116,486	–	1,329,114	1,230,851
Amounts due to related parties	48	–	–	–	48	48
Total	586,238	143,999	1,116,486	–	1,846,723	1,748,416

3.2 Capital management

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. As at December 31, 2022 and December 31, 2021, the gearing ratio of the Group were as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net debt	**435,350**	524,590
Total equity	**4,940,063**	4,477,712
Gearing ratio	**9%**	12%

3.3 Fair value estimation

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

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at December 31, 2022 and 2021, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the years ended December 31, 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2022 and 2021.

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

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

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Balance at beginning of the year	**397,400**	2,196,926
Additions	**348,156**	3,204,173
Changes in fair value	**2,392**	46,279
Disposals	**(717,002)**	(5,049,978)
Balance at end of the year	**30,946**	397,400

The unobservable inputs of wealth management products and structured deposit products are expected return rate and discounted rate. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rate of the investments in wealth management products and structured deposit products with floating rate range 1.1% to 3.7% for the year ended December 31, 2022. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the profit before income tax for the year ended December 31, 2022 would have been approximately increase/decrease RMB309,000 (December 31, 2021: RMB3,974,000).

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, due from related parties, trade and other receivables (excluding prepayments), borrowings, trade and other payables (excluding non-financial liabilities), and amounts due to related parties approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment assessment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense as percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test. See Note 14 for more details.

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Current and deferred income taxes

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

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

(d) Share-based compensation expenses

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

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

— Hospital Business; and

— Other Business.

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

The following items are not allocated to individual operating segments:

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

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

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

	Year ended December 31, 2022			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	3,027,260	168,388	–	3,195,648
Cost of revenue	(2,097,555)	(69,540)	–	(2,167,095)
Gross profit	929,705	98,848	–	1,028,553
Selling expenses	(26,091)	–	–	(26,091)
Administrative expenses	(227,873)	(13,635)	(55,419)	(296,927)
Other income	16,301	4,931	104	21,336
Other gains/(losses) — net	8,876	(218)	(68,708)	(60,050)
Segment profit	700,918	89,926	(124,023)	666,821
Finance income				17,318
Finance costs				(40,828)
Finance costs — net				(23,510)
Profit before income tax				643,311
As at December 31, 2022				
Assets				
Segment Assets	3,999,445	176,417	799,633	4,975,495
Goodwill	2,235,276	–	–	2,235,276
Deferred income tax assets				31,174
Total Assets				7,241,945
Liabilities				
Segment Liabilities	1,968,218	173,375	33,307	2,174,900
Deferred income tax liabilities				126,982
Total Liabilities				2,301,882
Other segment information				
Depreciation of property, plant, and equipment	127,511	12,285	2,302	142,098
Amortization of intangible assets	9,831	698	554	11,083
Additions of non-current assets except for goodwill and deferred income tax assets	660,436	15,847	5,807	682,090

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business line and nature:

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

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(c) Geographical information

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

(d) Information about major customers

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

6 OTHER INCOME

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

7 OTHER (LOSSES)/GAINS — NET

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

8 EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 9)*	**1,049,765**	718,587
Cost of pharmaceutical, medical consumables and other inventories	**893,951**	649,770
Depreciation and amortization *(Notes 13 and 14)*	**153,181**	114,447
Consultancy and professional service fees	**108,052**	92,745
Radiotherapy service fees	**83,752**	76,589
Utilities, cleaning and afforestation expenses	**72,037**	43,126
Travelling, entertainment, vehicle and office expenses	**33,002**	27,776
Taxation expenses	**18,579**	11,233
Repair and maintenance expenses	**11,485**	12,843
Marketing and promotion expenses	**6,881**	6,292
Auditor's remuneration		
—Audit services	**3,500**	5,450
Rental expenses *(Note 26)*	**2,002**	2,134
Other expenses	**53,926**	46,357
	2,490,113	1,807,349

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**905,684**	640,057
Employer's contribution to retirement benefit plan *(i)*	**45,849**	31,908
Allowances and benefits in kind	**60,147**	39,863
Share-based compensation expenses	**38,085**	6,759
	1,049,765	718,587

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

(i) The Group has participated in:

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

Under the Corporate Pension Plan, the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contribution was utilised during the year ended December 31, 2022 (December 31, 2021: no utilised) and leaving RMB169,300 available at December 31, 2022 to reduce future contribution. As at December 31, 2022, no contribution was payable to the Corporate Pension Plan (December 31, 2021: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2022 include three (December 31, 2021: one) directors whose emoluments are reflected in the analysis shown in Note 40(a). The emoluments payable to the remaining two (December 31, 2021: four) individuals during the year are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Salaries and wages	**2,449**	5,001
Bonuses	**1,173**	1,660
Employer's contribution to retirement benefit plan	**119**	100
Allowances and benefits in kind	**132**	90
Share-based compensation expenses	**769**	292
	4,642	7,143

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

Number of individuals

	Year ended December 31,	
	2022	2021
HKD		
1,000,000 — 1,500,000	**—**	—
1,500,001 — 2,000,000	**—**	2
2,000,001 — 2,500,000	**1**	1
2,500,001 — 3,000,000	**1**	1
3,000,001 — 3,500,000	**—**	—
	2	4

During the years ended December 31, 2022 and 2021, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS — NET

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Finance income		
Interest income of bank savings	**17,318**	2,155
Finance costs		
Interest expense on borrowings	**(50,117)**	(22,976)
Interest expense on lease liabilities	**(158)**	(109)
Net exchange losses on foreign currency borrowings *(Note3.1.1(i))*	**(5,947)**	—
	(56,222)	(23,085)
Amount capitalised *(i)*	**15,394**	—
Finance costs expensed	**(40,828)**	(23,085)
Finance costs — net	**(23,510)**	(20,930)

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 4.08% (2021: not applicable).

11 INCOME TAX EXPENSE

(a) Income tax expense

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

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

The Company's subsidiary, Chongqing Hygeia Hospital Co., Ltd.("Chongqing Hygeia Hospital"), Hezhou Guangji Hospital Co., Ltd. ("Hezhou Guangji Hospital"), Kaiyuan Jiehua Hospital Co., Ltd (Hereinafter, "Kaiyuan Jiehua Hospital" represents for the pre-reform non-profit entity before May 31, 2021, while "Kaiyuan Jiehua Hospital Co., Ltd." represents for the post-reform entity which is consolidated by the Group) and Hygeia Medical Management (Chongqing) Co., Ltd. were established in the western region of the PRC. Pursuant to the relevant laws and regulations, entities located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the concession rate of 15% if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The construction and service of general medical facilities business of the above entities compliances with the policies which are subject to a tax concession rate of 15% for the years ended December 31, 2022 and 2021.

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

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

Withholding tax on undistributed profits

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

(b) Numerical reconciliation of income tax expense

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

12 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In November 2021, the Company had share options granted to employees (Note 28). For the year ended December 31, 2022 and 2021, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares. During the year ended December 31, 2022 and 2021, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the year ended December 31, 2022 and 2021 are the same as basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Right-of-use for properties RMB'000	Right-of-use for lands RMB'000	Medical equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2021									
Cost	636,179	7,372	362,686	500,693	9,540	42,850	8,681	71,069	1,639,070
Accumulated depreciation	(61,410)	(5,112)	(26,362)	(152,368)	(3,853)	(20,542)	(3,573)	–	(273,220)
Closing net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Year ended December 31, 2021									
Opening net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Additions	–	–	90,494	82,326	3,907	11,302	5,218	436,487	629,734
Acquisition of subsidiaries	287,431	294	135,509	72,533	3,008	12,189	14,531	67,748	593,243
Business combination	29,594	–	11,026	3,351	552	195	59	–	44,777
Transfers upon completion	4,799	–	–	18,375	–	–	–	(23,174)	–
Disposals	(68)	–	–	(6,942)	(169)	(68)	–	–	(7,247)
Depreciation	(21,177)	(1,815)	(10,196)	(59,378)	(2,560)	(10,069)	(4,018)	–	(109,213)
Closing net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
At December 31, 2021									
Cost	957,820	7,666	599,715	654,618	16,224	65,452	28,489	552,130	2,882,114
Accumulated depreciation	(82,472)	(6,927)	(36,558)	(196,028)	(5,799)	(29,595)	(7,591)	–	(364,970)
Closing net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Year ended December 31, 2022									
Opening net book amount	875,348	739	563,157	458,590	10,425	35,857	20,898	552,130	2,517,144
Additions	–	7,504	12,972	123,651	411	23,924	9,996	461,387	639,845
Transfers upon completion	406,273	–	–	101,597	–	–	5,670	(513,540)	–
Disposals	(695)	–	(315)	(10,656)	(15)	(1,360)	(2)	–	(13,043)
Depreciation	(26,391)	(2,082)	(12,309)	(80,248)	(3,565)	(13,372)	(7,076)	–	(145,043)
Closing net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
At December 31, 2022									
Cost	1,363,036	15,170	612,373	852,145	16,461	87,927	44,154	499,977	3,491,243
Accumulated depreciation	(108,501)	(9,009)	(48,868)	(259,211)	(9,205)	(42,878)	(14,668)	–	(492,340)
Closing net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903

The Group's bank borrowings as at 31 December 2022 of RMB219,112,000 (2021: nil) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of RMB358,926,000 (2021: nil).

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Cost of revenue	**98,460**	74,392
Administrative expenses	**43,638**	31,570
Capitalisation	**2,945**	3,251
	145,043	109,213

14 INTANGIBLE ASSETS

	Goodwill *RMB'000*	Software *RMB'000*	Contractual rights to provide management services *RMB'000*	Medical licenses *RMB'000*	Total *RMB'000*
At January 1, 2021:					
Cost	300,338	14,105	68,028	28,500	410,971
Accumulated amortization	–	(5,399)	(12,646)	(4,986)	(23,031)
Accumulated impairment	–	–	(5,000)	–	(5,000)
Net book amount	300,338	8,706	50,382	23,514	382,940
Year ended December 31, 2021:					
Opening net book amount	300,338	8,706	50,382	23,514	382,940
Additions	–	5,914	–	–	5,914
Acquisition of subsidiaries	1,934,938	6,539	–	62,000	2,003,477
Business combination	–	331	–	25,400	25,731
Amortization	–	(4,374)	(1,364)	(2,747)	(8,485)
Disposals	–	–	(28,427)	–	(28,427)
Net book amount	2,235,276	17,116	20,591	108,167	2,381,150
At December 31, 2021:					
Cost	**2,235,276**	**26,890**	**27,920**	**115,899**	**2,405,985**
Accumulated amortization	**–**	**(9,774)**	**(7,329)**	**(7,732)**	**(24,835)**
Net book amount	**2,235,276**	**17,116**	**20,591**	**108,167**	**2,381,150**
Year ended December 31, 2022:					
Opening net book amount	**2,235,276**	**17,116**	**20,591**	**108,167**	**2,381,150**
Additions	**–**	**13,783**	**–**	**–**	**13,783**
Amortization	**–**	**(6,130)**	**(698)**	**(4,255)**	**(11,083)**
Net book amount	**2,235,276**	**24,769**	**19,893**	**103,912**	**2,383,850**
At December 31, 2022:					
Cost	**2,235,276**	**40,673**	**27,920**	**115,899**	**2,419,768**
Accumulated amortization	**–**	**(15,904)**	**(8,027)**	**(11,987)**	**(35,918)**
Net book amount	**2,235,276**	**24,769**	**19,893**	**103,912**	**2,383,850**

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill

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

	Longyan Boai Hospital Co., Ltd. ("Longyan Boai Hospital") RMB'000	Suzhou Canglang Hospital Co., Ltd. ("Suzhou Canglang Hospital") RMB'000	Anqiu Hygeia Hospital Co., Ltd. ("Anqiu Hygeia Hospital") RMB'000	Chengwu Hygeia Hospital Co., Ltd. ("Chengwu Hygeia Hospital") RMB'000	Etern Group Ltd. ("Etern Group") RMB'000	Hezhou Guangji Hospital RMB'000	Total RMB'000
As at December 31, 2021	186,019	104,607	5,182	4,530	1,449,056	485,882	2,235,276
As at December 31, 2022	**186,019**	**104,607**	**5,182**	**4,530**	**1,449,056**	**485,882**	**2,235,276**

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

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (Continued)

For Longyan Boai Hospital, Suzhou Canglang Hospital, Etern Group and Hezhou Guangji Hospital with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at December 31, 2022 and 2021 are as follows:

Longyan Boai Hospital

	Year ended December 31,	
	2022	2021
Forecast growth rate	**15%–3%**	18%–3%
Costs and operating expenses (% of revenue)	**76%**	77%
Long-term growth rate	**3%**	3%
Pre-tax discount rate*	**20.69%**	20.52%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**164,783**	185,655

Suzhou Canglang Hospital

	Year ended December 31,	
	2022	2021
Forecast growth rate	**10%–3%**	13%–3%
Costs and operating expenses (% of revenue)	**78%**	78%
Long-term growth rate	**3%**	3%
Pre-tax discount rate*	**20.62%**	20.54%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**544,246**	498,846

Etern Group

	Year ended December 31,	
	2022	2021
Forecast growth rate	**28%–5%**	35%–6%
Costs and operating expenses (% of revenue)	**75%**	76%
Long-term growth rate	**3%**	3%
Pre-tax discount rate*	**20.30%**	19.93%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**257,446**	207,081

14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (Continued)

Hezhou Guangji Hospital

	Year ended December 31,	
	2022	2021
Forecast growth rate	**17%–4%**	15%–5%
Costs and operating expenses (% of revenue)	**75%**	81%
Long-term growth rate	**3%**	3%
Pre-tax discount rate*	**18.37%**	18.22%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**231,498**	116,898

* The performance of Longyan Boai Hospital, Suzhou Canglang Hospital, Etern Group and Hezhou Guangji Hospital have generally been in line with management's expectations. In addition, the industry in which the hospitals operated, the market and regulatory environment were also largely stable for the years ended December 31, 2022 and 2021. The lower pre-tax discount rate of Hezhou Guangji Hospital was due to the concession CIT rate of 15% which stated in Note 11. Hence, there were no significant changes in the operating risk and the expected returns required by investors, which have resulted in relatively stable pre-tax discount rates for the years ended December 31, 2022 and 2021.

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

The percentage of costs and operating expenses of revenue is the average percentages over the five-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant equipment, which the management does not expect to be able to pass on to customers through price increases.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. By reference to relevant accounting standards, the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the certain hospital.

Based on management's assessment on the recoverable amounts of the subsidiaries or group acquired, no impairment provision was considered necessary to provide as at December 31, 2022.

As at December 31, 2022, analysis has been performed by the management of the Group on the reasonably possible changes in each of the following key assumptions, with all other variables held constant, of goodwill impairment tests of the CGUs above:

— Revenue compound growth rate decrease by 3%;

— Costs and operating expenses to total revenue ratio increase by 3%; and

— Pre-tax discount rate increase by 1%.

Based on the results of the analysis, reasonably possible changes in the above key assumptions would not cause the above CGUs' carrying amount to exceed their recoverable amount as at December 31, 2022.

14 INTANGIBLE ASSETS (CONTINUED)

(b) Amortization and impairment test for contractual rights to provide management services

The net book amount of contractual rights to provide management services as at December 31, 2021 and 2022 are as below:

	Handan Renhe Hospital *RMB'000*
As at December 31, 2021	20,591
As at December 31, 2022	**19,893**

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

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

Based on management's assessment, no material adverse indication shows that contractual rights have suffered any impairment during the year ended December 31, 2022.

14 INTANGIBLE ASSETS (CONTINUED)

(c) Amortization

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of revenue	**5,902**	5,045
Administrative expenses	**5,181**	3,440
	11,083	8,485

15 DEFERRED INCOME TAX

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Deferred tax assets		
—to be realised within 12 months	**21,828**	5,132
—to be realised after more than 12 months	**39,247**	19,108
	61,075	24,240
Deferred tax liabilities		
—to be realised within 12 months	**12,335**	10,820
—to be realised after more than 12 months	**144,548**	110,880
	156,883	121,700

15 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	38,586	15,289
Provisions	8,379	6,877
Unrealised profits of intra-group transaction	14,110	2,074
Total deferred tax assets	61,075	24,240
Set-off of deferred tax liabilities pursuant to set-off provisions	(29,901)	(6,450)
Net deferred tax assets	31,174	17,790

	Tax losses RMB'000	Employee benefits RMB'000	Provisions RMB'000	Unrealised profits of intra-group transaction RMB'000	Impairment of intangible assets RMB'000	Total RMB'000
As at January 1, 2021	12,189	118	1,182	854	644	14,987
Acquisition of subsidiaries	1,617	–	5,670	–	–	7,287
Credit/(charged) to profit or loss	1,483	(118)	25	1,220	(644)	1,966
As at December 31, 2021	15,289	–	6,877	2,074	–	24,240
As at January 1, 2022	15,289	–	6,877	2,074	–	24,240
Credit to profit or loss	23,297	–	1,502	12,036	–	36,835
As at December 31, 2022	38,586	–	8,379	14,110	–	61,075

15 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Intangible assets	**22,683**	23,625
Property, plant and equipment	**134,200**	98,075
Total deferred tax liabilities	**156,883**	121,700
Set-off of deferred tax assets pursuant to set-off provisions	**(29,901)**	(6,450)
Net deferred tax liabilities	**126,982**	115,250

Movements	**Property, plant and equipment**	**Intangible assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2021	40,420	5,877	46,297
Acquisition of subsidiaries	37,304	14,577	51,881
Business combination	2,695	3,810	6,505
Charged/(credit) to profit or loss	17,656	(639)	17,017
At December 31, 2021	98,075	23,625	121,700
At January 1, 2022	**98,075**	**23,625**	**121,700**
Charged/(credit) to profit or loss	**36,125**	**(942)**	**35,183**
At December 31, 2022	**134,200**	**22,683**	**156,883**

16 INVENTORIES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Pharmaceuticals	**98,551**	67,555
Medical consumables	**50,670**	32,655
Spare parts	**4,638**	6,970
	153,859	107,180

For the year ended December 31, 2022, the cost of inventories recognized as expense and included in "Cost of revenue" amounted to RMB893,951,000 (2021: RMB649,770,000).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 19)*	**853,768**	707,069
Amounts due from related parties *(Note 33)*	**16,608**	9,460
Trade and other receivables excluding non-financial assets	**643,966**	470,500
	1,514,342	1,187,029
Financial assets at fair value through profit or loss *(Note 18)*	**30,946**	397,400
	1,545,288	1,584,429
Financial liabilities		
Liabilities at amortized cost:		
Borrowings *(Note 24)*	**1,283,263**	1,230,851
Trade and other payables excluding non-financial liabilities	**507,823**	516,709
Amounts due to related parties *(Note 33)*	**—**	48
Lease liabilities *(Note 26)*	**5,855**	808
	1,796,941	1,748,416

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Structured deposit products	**–**	200,027
Wealth management products	**30,946**	197,373
	30,946	397,400

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

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

19 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cash at bank and in hand	**853,768**	707,069

Cash and deposits were denominated in the following currencies:

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

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details please refer to Note 3.1.2.

The Group's trade receivables were denominated in RMB.

21 SHARE CAPITAL AND SHARE PREMIUM

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

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

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

22 OTHER RESERVES

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**(2,929,602)**	(2,747,909)
Exercise of employee share scheme	**—**	(33,494)
Transfer to statutory reserve	**41,352**	30,490
Share-based compensation expense *(Note 28)*	**38,085**	6,759
Acquired additional shares of subsidiaries *(Note 36)*	**(1,738)**	(185,448)
At the end of the year	**(2,851,903)**	(2,929,602)

23 RETAINED EARNINGS

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**303,141**	(107,826)
Profit for the year	**476,784**	441,457
Transfer to statutory reserves	**(41,352)**	(30,490)
At the end of the year	**738,573**	303,141

24 BORROWINGS

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

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Pledged by property, plant and equipment *(Note 13)*	**219,112**	—
Secured by equity pledge of certain subsidiaries of the Group	**938,518**	1,186,851
	1,157,630	1,186,851

The Group's bank borrowings as at 31 December 2022 of RMB219,112,000 (2021: nil) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of RMB358,926,000 (2021: nil).

The Group's bank borrowings as at 31 December 2022 of RMB938,518,000 (2021: 1,186,851,000) 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. and 70% equity of Hezhou Guangji Hospital.

24 BORROWINGS (CONTINUED)

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

	As at December 31,	
	2022	2021
Bank borrowings	**4.08%**	2.66%

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Fixed-rate bank borrowings	**352,427**	217,745
Floating-rate bank borrowings	**930,836**	1,013,106
	1,283,263	1,230,851

(c) The carrying amounts of the borrowings approximated their fair values as at December 31, 2022 as the impact of discounting of borrowings with fixed interest rates was not significant.

(d) The Group's borrowings were repayable based on scheduled repayments as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**180,403**	34,373
Between 1 and 2 years	**945,030**	113,236
Between 2 and 5 years	**157,830**	1,083,242
	1,283,263	1,230,851

24 BORROWINGS (CONTINUED)

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
RMB	**586,803**	261,745
USD	**696,460**	969,106
	1,283,263	1,230,851

(f) **Compliance with loan covenants**

The Group complied with the financial covenants of its borrowing facilities for the year ended December 31, 2022.

25 DEFERRED REVENUE

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Government grant	**34,573**	34,431
To be realised within 12 months	**1,312**	1,445
To be realised after more than 12 months	**33,261**	32,986
Total	**34,573**	34,431

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

26 LEASE LIABILITIES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Minimum lease payments due		
– Within 1 year	**2,962**	426
– Between 1 and 2 years	**965**	426
– Between 2 and 5 years	**2,270**	—
– Above 5 years	**311**	—
	6,508	852
Less: future finance charges	**(653)**	(44)
Present value of lease liabilities	**5,855**	808
– Within 1 year	**2,727**	392
– Between 1 and 2 years	**798**	416
– Between 2 and 5 years	**2,028**	—
– Above 5 years	**302**	—
	5,855	808

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Interest expenses (included in finance costs – net) *(Note 10)*	**158**	109
Variable terms lease expenditure for equipment	**1,132**	1,429
Short-term lease expenditure	**870**	705
	2,002	2,134
Cash outflow for lease payments *(Note 32(c))*	**2,615**	2,025
Cash outflow for Short-term lease and variable terms lease *(Note 8)*	**2,002**	2,134
	4,617	4,159

26 LEASE LIABILITIES (CONTINUED)

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

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

A 5% increase in revenue shares across all divisions in the Group with such variable lease contracts, for the year ended December 31, 2022 would increase total lease payments by approximately RMB96,000 (2021: RMB101,000).

27 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Provision for asset retirement obligations	**8,308**	8,044

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

28 SHARE-BASED COMPENSATION EXPENSE

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

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

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

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

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

The Group recorded aggregate RMB38,085,000 share-based compensation expenses in the consolidated statements of comprehensive income for the year ended December 31, 2022 for the aforesaid Share Options (December 31, 2021: RMB6,759,000).

29 TRADE AND OTHER PAYABLES

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

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

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

30 CONTRACT LIABILITIES

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Hospital Business		
– Outpatient services	**13,527**	5,097
– Inpatient services	**10,022**	20,405
Other Business	**5,655**	6,983
	29,204	32,485

(a) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Hospital Business		
– Outpatient services	**5,097**	3,344
– Inpatient services	**20,405**	7,957
Other Business	**6,783**	5
	32,285	11,306

All hospital business contracts are for periods of one year or less. Other business contracts are for periods of more than one year with variable consideration based on revenue. Hence, the transaction prices allocated to these unsatisfied performance obligations are not disclosed.

31 DIVIDENDS

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

32 NET CASH GENERATED FROM OPERATION

(a) Reconciliation from profit before income tax to cash generated from operations:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Profit before income tax	**643,311**	572,845
Adjustment for:		
Interest income *(Note 10)*	**(17,318)**	(2,155)
Interest expenses *(Note 10)*	**40,828**	23,085
Depreciation of property, plant and equipment *(Note 13)*	**142,098**	105,962
Amortization of intangible assets *(Note 14)*	**11,083**	8,485
Net loss on disposals of property, plant and equipment and intangible assets *(Note 7)*	**454**	3,371
Realised and unrealised gains on financial assets at FVPL *(Note 7)*	**(2,392)**	(46,279)
Share-based compensation expense *(Note 28)*	**38,085**	6,759
Realised and unrealised exchange losses from foreign currency borrowings *(Note 32(c))*	**80,101**	–
Gain on bargain purchase *(Note 7)*	**–**	(15,449)
Operating cash flows before changes in working capital	**936,250**	656,624
Changes in working capital:		
Increase in inventories	**(46,679)**	(20,257)
Increase in trade and other receivables, prepayments	**(191,329)**	(80,041)
Increase in trade and other payables, and contract liabilities	**114,903**	(51,939)
Cash generated from operations	**813,145**	504,387

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net book amount *(Note 13)*	**13,043**	23,578
Net loss on disposal of property, plant and equipment and intangible assets *(Note 7)*	**(454)**	(3,371)
Proceeds from disposal of property, plant and equipment and intangible assets	**12,589**	20,207

For the years ended December 31, 2022 and 2021, the Group did not have any material non-cash investing and financing activities.

32 NET CASH GENERATED FROM OPERATION (CONTINUED)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in the debt for each of the period presented.

	Bank borrowings RMB'000	Lease liability RMB'000
Balance as at January 1, 2021	—	2,484
Cash flows	1,107,851	(2,025)
Additions from acquisitions	123,000	240
Interest expenses	—	109
Balance as at December 31, 2021	1,230,851	808
Balance as at January 1, 2022	1,230,851	808
Cash flows	(27,689)	(2,615)
Additions	—	7,504
Exchange losses	80,101	—
Interest expenses	—	158
Balance as at December 31, 2022	1,283,263	5,855

33 RELATED PARTY TRANSACTIONS

The Group

(a) Names and relationships with related parties

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

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(a) Names and relationships with related parties (Continued)

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2022 and 2021:

Name of related parties	Relationship with the Group
Mr. Zhu	Controlling shareholder
Ji Hairong (季海榮)	Spouse of Mr. Zhu
Ms. Zhu	Daughter of Mr. Zhu
Shanghai Rongqiao Biotechnology Co., Ltd. (上海榮喬生物科技有限公司)	Ultimately controlled by Ji Hairong
Kaiyuan Jiehua Hospital (開遠解化醫院)	Certain employees or directors of the Group are Kaiyuan Jiehua Hospital's internal governance body members (Before May 31, 2021) (Note 37(c))
Handan Renhe Hospital (邯鄲仁和醫院)	Certain employees or directors of the Group are Handan Renhe Hospital's internal governance body members
Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司)	Controlled by Mr. Zhu and Ms. Zhu
Kaiyuan Jiehua Hospital Co., Ltd. (開遠解化醫院有限公司)	30% equity owned by Shanghai Xiangshang Investment Development Co., Ltd. (From May 31, 2021 to September 6, 2022) (Note 36)

(b) Key management includes directors and the senior management of the Group.

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and bonus	**7,173**	5,930
Employer's contribution to retirement benefit plan	**341**	319
Allowances and benefits in kind	**344**	323
Share-based compensation expenses	**6,058**	844
	13,916	7,416

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(c) Transactions with related parties

For the years end December 31, 2022 and 2021, save as disclosed elsewhere in this accountant's report, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Recurring transactions		
Other Business Revenue		
– Handan Renhe Hospital	**13,919**	3,768
– Kaiyuan Jiehua Hospital	**–**	8,954
– Kaiyuan Jiehua Hospital Co., Ltd.	**395**	56
Depreciation on right-of-use assets and interest expense on lease liabilities		
– Ms. Zhu	**968**	934
– Shanghai Rongqiao Biotechnology Co., Ltd.	**773**	783
Non-recurring transactions		
Acquired additional shares of subsidiaries *(i)*		
– Shanghai Xiangshang Investment Development Co., Ltd.	**15,300**	–

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

(i) On September 6, 2022, the Group entered into the contractual arrangements with Shanghai Xiangshang Investment Development Co., Ltd. to acquire 30% equity interest in Kaiyuan Jiehua Hospital Co., Ltd. at a cash consideration of RMB15,300,000. The transaction was completed in September, 2022 (See Note 36).

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(d) Loan to a related party

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
– Kaiyuan Jiehua Hospital Co., Ltd.		
At the beginning of the year	**22,064**	–
Loan to a related party	**–**	22,000
Reclassified as intra-group transaction due to acquisition of additional shares *(Note 36)*	**(22,000)**	–
Interest charged	**601**	64
Reclassified as intra-group transaction	**(665)**	–
At the end of the year	**–**	22,064

The Group's Subsidiary, Gamma Star Tech provided a unsecured loan to Kaiyuan Jiehua Hospital Co., Ltd. amounting to RMB22,000,000 from November 30, 2021 to November 29, 2022, with annum interest rate of 4.35%. Kaiyuan Jiehua Hospital Co., Ltd. became the Group's wholly owned subsidiary on September 6, 2022 (Note 36). The loan and the interest were reclassified as intra-group transaction correspondingly.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

The Group (Continued)

(e) Balances with related parties

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Amounts due from related parties		
Other Business		
– Handan Renhe Hospital	**16,608**	9,460

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Amounts due to related parties		
Other Business		
– Handan Renhe Hospital	**–**	48
Lease liabilities to		
– Ms. Zhu	**983**	–
– Shanghai Rongqiao Biotechnology Co., Ltd.	**1,158**	808

As at December 31, 2022 and 2021, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

34 COMMITMENTS

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Property, plant and equipment	**583,120**	449,662
Intangible assets	**298**	94
	583,418	449,756

35 CONTINGENT LIABILITIES

As at December 31, 2022 and 2021, the Group did not have any material contingent liabilities.

36 TRANSACTION WITH NON-CONTROLLING INTERESTS

On July 25, 2022 and September 6, 2022, the Group entered into two equity transfer agreements to purchase the remaining 1% equity interest in Hezhou Guangji Hospital and 30% equity interest in Kaiyuan Jiehua Hospital Co., Ltd., at consideration of RMB6,482,000 and RMB15,300,000, respectively. The transactions were completed in July 2022 and September 2022. After the completion, Hezhou Guangji Hospital and Kaiyuan Jiehua Hospital Co., Ltd. changed from indirect non-wholly owned subsidiaries to indirect wholly owned subsidiaries of the Company. The differences between the carrying amount of non-controlling interests acquired and consideration paid are set out below.

	Hezhou Guangji Hospital *RMB'000*	**Kaiyuan Jiehua Hospital Co., Ltd.** *RMB'000*	**Total** *RMB'000*
Carrying amount of non controlling interests acquired	1,808	18,236	20,044
Consideration paid to non controlling interests	(6,482)	(15,300)	(21,782)
Excess of consideration paid recognized in the transactions with non controlling interests reserve within equity *(Note 22)*	(4,674)	2,936	(1,738)

37 BUSINESS COMBINATION

(a) Etern Group

On April 25, 2021, the Group entered into a share purchase agreement to acquire the entire equity interest in Etern Group for a cash consideration of the USD equivalent of RMB1,734,327,000. As of above share purchase agreement signing date, Etern Group indirectly holds 98% equity interest in Suzhou Yongding Hospital, a private for-profit Class II general hospital in Suzhou City, Jiangsu Province, the PRC. The acquisition was completed on April 28, 2021, and after the acquisition, Etern Group became a direct wholly-owned subsidiary of the Company and Suzhou Yongding Hospital became an indirect non-wholly-owned subsidiary of the Company. Goodwill of RMB1,449,056,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired, was recognized. The consideration amounting to RMB19,477,000,000 (2021: RMB1,714,850,000) was settled during the year ended December 31, 2022.

37 BUSINESS COMBINATION (CONTINUED)

(b) Hezhou Guangji Hospital

On May 26, 2021, the Group entered into a share purchase agreement to acquire 99% of the equity interest in Hezhou Guangji Hospital for a maximum consideration of RMB641,570,000. Hezhou Guangji Hospital is a private for-profit Class III general hospital in HeZhou City, Guangxi Zhuang Autonomous Region, the PRC. The acquisition was completed on July 7, 2021, and after the acquisition, Hezhou Guangji Hospital became an indirect non-wholly-owned subsidiary of the Company. Goodwill of RMB485,882,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired, was recognized. The consideration amounting to RMB127,113,000 (2021: RMB 514,457,000) was settled during the year ended December 31, 2022.

(c) Kaiyuan Jiehua Hospital

In 2021, Kaiyuan Jiehua Hospital completed a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital. Kaiyuan Jiehua Hospital Co., Ltd., a 70% owned subsidiary of the Group (the remaining 30% equity interest was further acquired by the Group in September 2022, see Note 36), was duly incorporated and started to operate the for-profit hospital since then. Gamma Star Tech and Kaiyuan Jiehua Hospital entered into the termination agreements on May 31, 2021, to terminate the Hospital Management Business and Radiotherapy Business. Accordingly, the carrying amount of contractual rights to provide management services, RMB12,096,000 as at termination date, has been recognized as the consideration to acquire the business of Kaiyuan Jiehua Hospital. A gain on bargain purchase of RMB15,449,000 was recognized as the consideration less than the fair value of the identifiable net assets of the Kaiyuan Jiehua Hospital.

38 PARTICULARS OF SUBSIDIARIES

The Company's subsidiaries comprising the Group at December 31, 2022 are set out below. All of these are limited liability companies and the country of incorporation or registration is also their principal place of business:

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2022	Attributable equity interest to the Group As at December 31, 2021
Directly held:					
Hygeia Healthcare Group Co., Limited	BVI, October 2, 2018	USD50	Investment holding	100%	100%
Etern Group Ltd.	BVI, April 28, 2021	–	Corporate management	100%	100%
Indirectly held:					
Hygeia Healthcare (HK) Co., Limited	Hong Kong, October 19, 2018	HKD10	Investment holding	100%	100%
Shanghai Hygeia Medical Technology (Group) Co., Ltd.*(i)* (上海海吉亞醫療科技(集團)有限公司)	PRC, January 10, 2007	RMB250,000	Corporate management	100%	100%
Shanghai Qiushi Investment Management Co., Ltd. (上海秋拾投資管理有限公司)	PRC, April 24, 2015	RMB80,000	Investment holding company	100%	100%
Shanxian Hygeia Hospital Co., Ltd. (單縣海吉亞醫院有限公司)	PRC, November 20, 2012	RMB234,187	Healthcare Services	100%	100%
Jiangsu Gamma Star Medical Service Co., Ltd. (江蘇伽瑪星醫療服務有限公司)	PRC, December 1, 2017	RMB10,000	Radiotherapy Service	100%	100%
Jiangsu Hygeia Medical Instrument Co., Ltd. *(iii)* (江蘇海吉亞醫療器械有限公司) (formerly known as Jiangsu Hygeia Supply Chain Management Co., Ltd. (江蘇海吉亞供應鏈管理有限公司))	PRC, November 21, 2017	RMB10,000	Supply chain	100%	100%
Gamma Star Tech (上海伽瑪星科技發展有限公司)	PRC, November 24, 2009	RMB150,000	Hospital management and production of our proprietary SRT equipment	100%	100%
Chengwu Hygeia Hospital (成武海吉亞醫院有限公司)	PRC, January 12, 2017	RMB26,000	Healthcare Services	100%	100%
Chongqing Hygeia Hospital *(iii)* (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))	PRC, November 9, 2015	RMB71,429	Healthcare Services	100%	100%

38 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2022	Attributable equity interest to the Group As at December 31, 2021
Indirectly held: (Continued)					
Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司)	PRC, January 23, 2013	RMB157,143	Healthcare Services	100%	100%
Anqiu Hygeia Hospital (安丘海吉亞醫院有限公司)	PRC, December 26, 2016	RMB21,429	Healthcare Services	100%	100%
Suzhou Canglang Hospital (蘇州滄浪醫院有限公司)	PRC, November 27, 2015	RMB18,857	Healthcare Services	100%	100%
Suzhou Suchen Medical Investment Development Co., Ltd. (蘇州蘇辰醫療投資發展有限公司)	PRC, November 27, 2015	RMB12,000	Investment holding company	100%	100%
Longyan Boai Hospital (龍岩市博愛醫院有限公司)	PRC, September 8, 2015	RMB17,150	Healthcare Services	100%	100%
Hygeia (Shanghai) Hospital Management Co., Ltd. (海吉亞(上海)醫院管理有限公司)	PRC, April 08, 2019	RMB50,000	Investment holding company	100%	100%
Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司)	PRC, June 20, 2019	RMB50,000	Healthcare Services	100%	100%
Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司)	PRC, December 18, 2019	RMB50,000	Healthcare Services	100%	100%
Shanghai Gamma Star Medical Information Consulting Co., Ltd. (上海伽瑪星醫療資訊諮詢有限公司)	PRC, August 23, 2019	RMB10,000	Corporate management	100%	100%
Liaocheng Hygeia Supply Chain Management Co., Ltd. *(i)* (聊城海吉亞供應鏈管理有限公司)	PRC, May 27, 2020	USD50,000	Supply chain	100%	100%
Wuxi Hygeia Hospital Co., Ltd. (無錫海吉亞醫院有限公司)	PRC, July 22, 2020	RMB50,000	Healthcare Services	100%	100%
Shanghai Hygeia Medical Butler Enterprise Service Co., Ltd. (上海海吉亞醫管家企業服務有限公司)	PRC, September 10, 2020	RMB1,000	Corporate management	100%	100%
Dezhou Hygeia Supply Chain Management Co., Ltd. *(i)* (德州海吉亞供應鏈管理有限公司)	PRC, November 13, 2020	USD10,000	Supply chain	100%	100%
Hygeia Doctor Group (Shenzhen) Co., Ltd. (海吉亞醫生集團(深圳)有限公司)	PRC, November 13, 2020	RMB1,000	Corporate management	100%	100%

38 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2022	Attributable equity interest to the Group As at December 31, 2021
Indirectly held: (Continued)					
Dezhou Gamma Star Technology Development Co., Ltd.*(v)* (德州伽瑪星科技發展有限公司)	PRC, November 13, 2020	RMB65,100	Investment holding company	Not applicable	100% Before deregistered
Dezhou Qiushi Investment Management Co., Ltd. *(v)* (德州秋拾投資管理有限公司)	PRC, November 13, 2020	RMB65,100	Investment holding company	Not applicable	100% Before deregistered
Hygeia Medical Management (Shanghai) Co., Ltd. *(iv)* (海吉亞醫療管理(上海)有限公司)	PRC, January 5, 2021	RMB100,000	Corporate management	100%	100%
Etern Healthcare (HK) Limited	Hong Kong, April 28, 2021	–	Corporate management	100%	100%
Suzhou Yongding Medical Management Service Co., Ltd. *(i)* (蘇州永鼎醫療管理服務有限公司)	PRC, April 28, 2021	RMB80,000	Corporate management	100%	100%
Hezhou Guangji Hospital (賀州廣濟醫院有限公司) *(Note 22)*	PRC, July 7, 2021	RMB59,201	Healthcare Services	100%	99%
Suzhou Yongding Hospital Co., Ltd. (蘇州永鼎醫院有限公司)	PRC, April 28, 2021	RMB75,000	Healthcare Services	98%	98%
Longyan Hygeia Hospital Co., Ltd. *(iv)* (龍岩海吉亞醫院有限公司)	PRC, June 7, 2021	RMB50,000	Healthcare Services	100%	100%
Changshu Hygeia Hospital Co., Ltd. *(iv)* (常熟海吉亞醫院有限公司)	PRC, June 29, 2021	RMB100,000	Healthcare Services	100%	100%
Anyang Hygeia Hospital Co., Ltd. *(iv)* (安陽海吉亞醫院有限公司)	PRC, July 29, 2021	RMB50,000	Healthcare Services	100%	100%
Qihai (Chongqing) Pharmaceutical Co., Ltd. *(iv)* (栖海(重慶)醫藥有限公司)	PRC, August 11, 2021	RMB10,000	Supply chain	100%	100%
Zhuhai Bihai Enterprise Management Consulting Co., Ltd. *(i) (iv)* (珠海碧海企業管理諮詢有限公司)	PRC, August 17, 2021	RMB50,000	Corporate management	100%	100%
Kaiyuan Jiehua Hospital Co., Ltd. (開遠解化醫院有限公司) *(Note 22)*	PRC, May 31, 2021	RMB7,143	Healthcare Services	100%	70%

38 PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ acquisition	Issued and fully paid up share capital '000	Principal activities	Attributable equity interest to the Group As at December 31, 2022	Attributable equity interest to the Group As at December 31, 2021
Indirectly held: (Continued)					
Liaocheng Hygeia Medical Butler Enterprise Service Co., Ltd. *(iv)* (聊城海吉亞醫管家企業服務有限公司)	PRC, October 29, 2021	RMB1,000	Corporate management	100%	100%
Hygeia Medical Management (Chongqing) Co., Ltd. *(ii)* (海吉亞醫療管理(重慶)有限公司)	PRC, January 20,2022	RMB200,000	Corporate management	100%	Not applicable

(i) These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

(ii) The subsidiary was newly established during this year.

(iii) These subsidiaries changed the register name during this year.

(iv) These subsidiaries were newly established in 2021.

(v) These subsidiaries were deregistered in 2021.

The English names of the subsidiary registered in PRC represent management's best efforts in translating their Chinese names as they do not have official English names.

39 BALANCE SHEET OF THE COMPANY

		As at December 31,	
		2022	2021
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Amount due from a subsidiary		773,469	1,590,735
Investment in a subsidiary		6,256,804	6,199,242
Total Non-current assets		7,030,273	7,789,977
Current assets			
Prepayments and other receivables		140	123
Cash and cash equivalents		395,295	7,295
Total current assets		395,435	7,418
Total assets		7,425,708	7,797,395
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	21	7,047,087	7,082,915
Other reserves	39(a)	(26,251)	(64,336)
Accumulated losses	39(b)	(333,931)	(231,838)
Total equity		6,686,905	6,786,741
LIABILITIES			
Non-current liabilities			
Long-term Borrowings		696,460	969,106
Total Non-current liabilities		696,460	969,106
Current liabilities			
Trade and other payables		3,546	22,094
Amounts due to subsidiaries		38,797	19,454
Total current liabilities		42,343	41,548
Total liabilities		738,803	1,010,654
Total equity and liabilities		7,425,708	7,797,395

39 BALANCE SHEET OF THE COMPANY (CONTINUED)

(a) Reserve movement of the company

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	(64,336)	(37,601)
Share-based compensation expense for a subsidiary	38,085	6,759
Exercise of employee share scheme	–	(33,494)
At the end of the year	(26,251)	(64,336)

(b) Accumulated losses of the company

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	(231,838)	(219,316)
Loss for the year	(102,093)	(12,522)
At the end of the year	(333,931)	(231,838)

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended December 31, 2022:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2022							
Executive directors							
Mr. Zhu Yiwen	–	492	353	2,827	28	28	3,728
Mr. Ren Ai	–	540	958	1,212	63	63	2,836
Ms. Cheng Huanhuan	–	504	979	808	63	63	2,417
Mr. Zhang Wenshan	–	420	242	606	63	63	1,394
Ms. Jiang Hui	–	603	214	606	63	63	1,549
Non-executive directors							
Mr. Fang Min	–	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Chen Penghui *(i)*	84	–	–	–	–	–	84
Mr. Ye Changqing	240	–	–	–	–	–	240
Mr. Zhaochun *(ii)*	157	–	–	–	–	–	157
	721	2,559	2,746	6,059	280	280	12,645

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2021:

	Fees *RMB'000*	Salaries and wages *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expense *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended December 31, 2021							
Executive directors							
Mr. Zhu Yiwen	–	239	63	335	36	36	709
Mr. Ren Ai	–	464	755	143	57	57	1,476
Ms. Cheng Huanhuan	–	456	422	96	57	57	1,088
Mr. Zhang Wenshan	–	394	359	72	57	57	939
Ms. Jiang Hui	–	640	274	72	57	57	1,100
Non-executive directors							
Mr. Fang Min	–	–	–	–	–	–	–
Mr. Cao Yanlin	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Chen Penghui *(i)*	240	–	–	–	–	–	240
Mr. Ye Changqing	240	–	–	–	–	–	240
	720	2,193	1,873	718	264	264	6,032

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

(i) Mr. Chen Penghui has resigned as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of Audit Committee and Nomination Committee on May 6, 2022.

(ii) Mr. Zhao Chun has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of Audit Committee and Nomination Committee on May 6, 2022.

During the years ended December 31, 2022 and 2021, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended December 31, 2022 and 2021.

41 SUBSEQUENT EVENTS

On January 4, 2023, the Company entered into the placing agreement with J.P. Morgan Securities (Asia Pacific) Limited, pursuant to which the Company agreed to place 14,800,000 shares at a price of HKD53.50 per share (the "Placing"), representing approximately 2.34% of the issued share capital of the Company immediately following completion of the Placing. On January 11, 2023, all conditions to the agreement was fulfilled and the Placing has completed. The net proceeds (after deducting all applicable costs and expenses, including commission) from the Placing was approximately HKD785,400,000. Details of the transaction was disclosed in the announcements of the Group dated January 4 and January 11, 2023.

Definitions and Glossaries

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

"AGM"	annual general meeting of the Company to be held on June 28, 2023
"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders of the Company
"Articles of Association"	the amended and restated memorandum and articles of association of the Company (as amended from time to time)
"associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Changshu Hygeia Hospital"	Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company

Definitions and Glossaries

"China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Hospital Co., Ltd.* (重慶海吉亞醫院有限公司) (formerly known as Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) and Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Class III" or "Class III hospitals"	the largest and best regional hospitals designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"Company" or "Hygeia Healthcare"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals, details of which are described in the section headed "Directors' Report — Contractual Arrangements" in this annual report
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
"COVID-19"	Novel coronavirus pneumonia
"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
"Director(s)"	director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party

"FTSE Russell"	FTSE Russell, being the second largest index compilation company globally
"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd.* (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a wholly-owned subsidiary of the Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
"Group", "we", or "us"	the Company together with its subsidiaries
"Handan Renhe Hospital" or "Managed Hospital"	Handan Renhe Hospital* (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011
"Hengrui Pharmaceuticals"	Jiangsu Hengrui Pharmaceuticals Co., Ltd.* (江蘇恆瑞醫藥股份有限公司)
"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd.* (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of the Company
"Hezhou Guangji Hospital"	Hezhou Guangji Hospital Co., Ltd.* (賀州廣濟醫院有限公司), a limited liability company incorporated under the laws of the PRC on March 4, 2020 and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd.* (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates

Definitions and Glossaries

"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital is a private not-for-profit hospital established under the laws of the PRC which the Group acquired on November 12, 2012, the organizer's interest of which is held by Gamma Star Tech and Xiangshang Investment as to 70% and 30%, respectively. Kaiyuan Jiehua Hospital completed a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital in 2021
"Kaiyuan Jiehua Hospital Co., Ltd."	Kaiyuan Jiehua Hospital Co., Ltd.* (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021, a wholly owned subsidiary of the Company
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
"Listing Date"	the date, namely June 29, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd.* (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, Chairman and executive Director, and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"NHFPC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Nomination Committee"	the nomination committee of the Board
"oncology"	the branch of medicine that deals with cancer

"Prospectus"	the prospectus of the Company published on June 16, 2020
"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 we provide to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of the proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the proprietary SRT equipment
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly owned by Ms. Zhu, one of the Controlling Shareholders
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2022 to December 31, 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)	holder(s) of the Shares

Definitions and Glossaries

"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
"Suzhou Yongding Hospital"	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit class II general hospital in Suzhou and a subsidiary of the Company
"US$"	United States dollars, the lawful currency of the United States of America
"VIE Hospitals"	collectively, Anqiu Hygeia Hospital Co., Ltd.* (安丘海吉亞醫院有限公司, a subsidiary of the Group), Anyang Hygeia Hospital Co., Ltd.* (安陽海吉亞醫院有限公司, a subsidiary of the Group), Changshu Hygeia Hospital (a subsidiary of the Group), Chengwu Hygeia Hospital (a subsidiary of the Group), Chongqing Hygeia Hospital (a subsidiary of the Group), Dezhou Hygeia Hospital (a subsidiary of the Group), Heze Hygeia Hospital (a subsidiary of the Group), Hezhou Guangji Hospital (a subsidiary of the Group), Kaiyuan Jiehua Hospital (a subsidiary of the Group), Liaocheng Hygeia Hospital (a subsidiary of the Group), Longyan Boai Hospital (a subsidiary of the Group), Longyan Hygeia Hospital Co., Ltd.* (龍岩海吉亞醫院有限公司, a subsidiary of the Group), Shanxian Hygeia Hospital (a subsidiary of the Group), Suzhou Canglang Hospital (a subsidiary of the Group), and Wuxi Hygeia Hospital (a subsidiary of the Group)
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
"%"	per cent

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

* *For identification purpose only*