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 2024

CONTENTS

分诊处
重庆海吉亚医院
CHONGQING HYGEIA HOSPITAL
病房大楼
重庆海吉亚医院
CHONGQING HYGEIA HOSPITAL
肿瘤中心
CANCER CENTER

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Liu Yanqun *(Chairman)*
Mr. Ren Ai
(Stepped down on March 27, 2025)
Mr. Zhao Chun
Ms. Cheng Huanhuan
(Appointed on March 27, 2025)

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORIZED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Unit 1605/1606
Building 1
Fuyuan Zhidi Square
38 Yuanshen Road
Pudong New Area, Shanghai
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

Ping An Bank Co., Ltd.
Shanghai Sub-branch
No. 1333, Lujiazui Ring Road
Pudong New District, Shanghai
the PRC

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

China CITIC Bank Co., Ltd.
Shanghai Branch
No.138 Shibo Guan Road,
Pudong New Area, Shanghai
the PRC

AUDITOR

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

HONG KONG LEGAL ADVISER

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

STOCK CODE

6078

COMPANY WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Year ended December 31,				
	2024	2023	2022	2021	2020
	(RMB'000, except percentages)				
Operating results					
Revenue	**4,446,120**	4,076,680	3,195,648	2,315,349	1,401,764
Gross profit	**1,329,473**	1,286,252	1,028,553	757,499	480,043
Operating profit	**821,144**	889,104	666,821	593,775	300,284
Profit before income tax	**750,816**	856,087	643,311	572,845	252,612
Net profit	**598,332**	684,948	481,876	453,203	177,061
Basic earnings per share (in RMB)	**0.95**	1.08	0.77	0.71	0.38
Non-IFRS adjusted net profit (1)	**602,264**	713,445	607,013	450,606	316,082
Profitability					
Gross profit margin	**29.9%**	31.6%	32.2%	32.7%	34.2%
Net profit margin	**13.5%**	16.8%	15.1%	19.6%	12.6%
Non-IFRS adjusted net profit margin (2)	**13.5%**	17.5%	19.0%	19.5%	22.5%

Notes:

(1) Adjustments to the net profit for the year ended December 31, 2024 include: (i) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB13,267 thousand; (ii) net foreign exchange losses of RMB1,401 thousand; and (iii) share-based compensation expenses of RMB(10,736) thousand. Adjustments to the net profit for the year ended December 31, 2023 include: (i) depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals of RMB10,413 thousand; (ii) net foreign exchange gains of RMB (11,166) thousand; and (iii) share-based compensation expenses of RMB29,250 thousand.

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

	Audited As of December 31,				
	2024	2023	2022	2021	2020
	(RMB'000)				
Financial position					
Total current assets	**1,825,749**	1,975,590	1,749,474	1,720,772	2,922,341
Total non-current assets	**9,103,506**	8,758,973	5,492,471	4,966,166	1,778,964
Total current liabilities	**1,795,838**	1,944,147	1,026,031	854,607	280,952
Total non-current liabilities	**2,459,013**	2,535,542	1,275,851	1,354,619	78,976
Total equity	**6,674,404**	6,254,874	4,940,063	4,477,712	4,341,377

Corporate Profile

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

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals through a combination of organic growth and strategic acquisitions. As of the date of this annual report, we managed or operated 16 oncology-focused hospitals covering 13 cities in eight 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, 2024. In this year, we still express our deepest gratitude to all Shareholders and investors for their understanding, trust and support. Hygeia has always been committed to being an excellent enterprise with the 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).

In 2024, with significant changes in the industry environment and successive challenges, all employees of Hygeia stood up to their responsibilities, and continued to promote the high-quality development of the Group's hospitals. In 2024, Hygeia Healthcare achieved a record high in revenue of RMB4,450 million, making its operational efficiency to remain at the forefront of the industry, with a steady growth in EBITDA of RMB1,110 million; while the annual patient visits reached 4.53 million, representing a year-on-year increase of 23.8%, and the patient satisfaction rate increased to 97.03%.

The hospital industry, characterized by high entry barriers and sustainable operation, fully enjoys the benefit from the compounding effect of time. Over the past year, we were pleased to witness the continuous enhancement in the brand and competitive edge of Hygeia's hospitals: the number of clinical key specialties had reached a new high, and our own talent pool continued to expend, with nearly 100 specialists holding chairmen and deputy chairmen positions of societies at all levels, and more than 1,200 medical professionals with advanced qualifications. We have always adhered to long-termism, emphasized on business compliance, and done the tough but right things. The Group's hospitals are all self-owned, laying a solid foundation for the establishment of a century-old hospital; the Group's hospitals are basically 100% controlled, with all employees work together to achieve the same goal; the Group's self-owned hospitals are all for-profit, with clear property rights and long-term stability and security.

Hygeia continues to grow and will keep growing. In 2024, Dezhou Hygeia Hospital opened as scheduled, the project construction of Wuxi Hygeia Hospital and Changshu Hygeia Hospital successively entered the final stage, and expansion projects of Kaiyuan Jiehua Hospital Phase II and Chang'an Hospital Phase III steadily advanced. In terms of external expansion, Hygeia will persist in its merger and acquisition strategy, grasping opportunities for industry consolidation.

For a long time in the future, the degree of aging in our country will continue to deepen. By 2035, the population aged 60 and above is expected to exceed 400 million, representing over 30% of the total population. The healthcare industry remains one of the most vibrant industries. We should be full of confidence and take practical steps, to provide high-quality medical services to patients and create reasonable investment returns for Shareholders.

We look forward to continuing to witness the new chapter of Hygeia with global Shareholders.

Zhu Yiwen
Chairman

March 27, 2025

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a leading professional oncology medical group in China and carries out multi-disciplinary diagnosis and treatment services centered around its core oncology business. Adhering to its corporate vision of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)", the Group has always put the interests of patients first, continuously improving its clinical diagnostic and treatment capabilities and the quality of its medical services, continually expanding the depth and breadth of its hospital network and fulfilling the growing needs of oncology patients in China. As of December 31, 2024, the Group managed or operated 16 hospitals with oncology services as the core business, including four Class III hospitals, 12 Class II hospitals, as well as two additional hospitals under construction designed as Class III hospitals, located in 13 cities in eight provinces in China, helping the Group effectively reduce regional differences and develop extremely strong survival and adaptability skills.

The Group is dedicated to the development of medical services, with the academic and clinical expertise of its hospitals continuously strengthening. During the Reporting Period, the Group added one national-level chest pain center and six provincial/municipal-level key specialties (projects). Its medical talent pool continued to expand during the Reporting Period, now comprising 86 high-level talents, including those enjoying special government subsidies awarded by the State Council as well as those holding chairmen and deputy chairmen positions of specialty societies at all levels; additionally, the Group has 1,236 medical professionals with advanced qualifications.

The Group adheres to a patient-first approach, optimizing the patient experience through measures such as the provision of year-round outpatient services (including public holidays), a "90-minute outpatient experience (90分鐘門診就診體驗)" and convenient service facilities. In 2024, the Group's patient satisfaction rate reached 97.03%, representing an increase of 0.91 percentage point from the previous year. To meet the diverse health needs of the public, the Group continued to innovate its medical service models, actively exploring strategic cooperation with commercial insurance companies and improving the healthcare payment system. At the same time, the Group actively embraced artificial intelligence (AI) technology, applying it in areas such as oncology radiotherapy, imaging-assisted diagnosis, mobile nursing, and intelligent patient service to enhance work efficiency and patient experience.

The Group actively engages in medical public welfare activities, contributing to local economic and social development, while continuously enhancing its brand influence and social impact. Hezhou Guangji Hospital was honored by the Central Committee of the Communist Party of China as a "National Advanced Grass-roots Party Organization (全國先進基層黨組織)" and recognized by the All-China Federation of Trade Unions with the honorary title of the "Pioneer of Workers (工人先鋒號)". Chongqing Hygeia Hospital was recognized as an "Outstanding Private Enterprise in Chongqing (重慶市優秀民營企業)" by the Chongqing Municipal Committee of the Communist Party of China and the Chongqing Municipal People's Government. Chang'an Hospital was awarded the title of "Five-Star Party Organization (五星級黨組織)" by the Organization Department of the Shaanxi Provincial Committee of the Communist Party of China and was awarded the "Enterprise Fulfilling Social Responsibility in Xi'an (西安市履行社會責任企業) for 2023". The Group places great emphasis on medical insurance management, ensuring the proper utilization of medical insurance funds. The medical insurance heads of several hospitals within the Group have been selected as part of the national and provincial medical insurance inspection expert pools.

For the year ended December 31, 2024, the Group's revenue amounted to RMB4,446.1 million, representing an increase of 9.1% compared to last year. The brand influence and reputation of the Group's hospitals had continued to grow, leading to a further rise in patient visits. During the year ended December 31, 2024, the Group recorded approximately 4.5 million patient visits, representing an increase of 23.8% over last year. Operational efficiency was further improved, with the Group's net cash to net profit ratio reaching 137.2% for the year ended December 31, 2024, after excluding pre-completion tax paid for the acquired hospitals and the settlement of previous suppliers' payables, representing an increase of 22.9 percentage points compared to the ratio of 114.3% for the same period in 2023.

In 2024, the Group implemented a series of cost-reduction and efficiency-enhancing measures to address challenges and improve operational performance. The Group's total liabilities decreased by 5.0% from RMB4,479.7 million as of December 31, 2023, to RMB4,254.9 million as of December 31, 2024. Despite the official opening of the fifth self-built hospital, Dezhou Hygeia Hospital, in July 2024, the Group's full-time employees decreased by 69 as of December 31, 2024, including an increase of 48 physicians and other medical employees, and a reduction of 117 employees in management, administrative and other non-medical positions. The ratio of administrative expenses to the Group's total revenue decreased by 0.3 percentage point from 10.1% in 2023 to 9.8% in 2024.

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

	Year ended December 31,			
	2024		2023	
	(RMB'000)	*% of revenue*	*(RMB'000)*	*% of revenue*
Hospital business				
— Outpatient services	**1,632,993**	**36.7**	1,351,356	33.1
— Inpatient services	**2,689,576**	**60.5**	2,538,937	62.3
Sub-total	**4,322,569**	**97.2**	3,890,293	95.4
Other business	**123,551**	**2.8**	186,387	4.6
Total	**4,446,120**	**100.0**	4,076,680	100.0

Hospital Business

For the year ended December 31, 2024, the Group's revenue from its hospital business was RMB4,322.6 million, representing an increase of 11.1% over last year, leading to the continuous and stable growth in revenue. For the year ended December 31, 2024, the revenue from outpatient services was RMB1,633.0 million, representing an increase of 20.8% 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, 2024, the number of patient visits was approximately 4.5 million, representing an increase of 23.8% over last year. In addition, the Group had actively expanded diagnosis and treatment items with a focus on oncology to enrich treatment methods and improve management efficiency. The medical technology level of the Group was continuously improved. For the year ended December 31, 2024, the Group completed a total of 96,993 surgeries, representing a year-on-year increase of 15.8%, and the revenue from surgeries increased by 21.2% over last year, with a steady increase in the proportion of level 3 or 4 surgeries and interventional surgeries.

Oncology-related Business

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

Revenue from the Group's oncology-related business increased by 10.4% from RMB1,778.4 million for the year ended December 31, 2023 to RMB1,963.0 million for the year ended December 31, 2024.

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

	Year ended December 31,			
	2024		2023	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Oncology business	**1,963,013**	**44.2**	1,778,431	43.6
Non-oncology business	**2,483,107**	**55.8**	2,298,249	56.4
Total	**4,446,120**	**100.0**	4,076,680	100.0

Gross Profit

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

	Year ended December 31,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Hospital business	**1,278,371**	1,179,159
Other business	**51,102**	107,093
Total	**1,329,473**	1,286,252

The gross profit of hospital business, the core business of the Group, was RMB1,278.4 million for the year ended December 31, 2024, and the gross profit margin was 29.6%. The gross profit margin of the hospital business remained stable as compared to last year.

BUSINESS DEVELOPMENT

Since commencing operations in 2009, the Group has consistently focused on its core business of oncology medical services, emphasizing the enhancement of the long-term competitiveness of its hospitals and continuously improving patient satisfaction.

1. Strengthening the construction of oncology and related disciplines

The construction of academic disciplines is the key to the sustainable development of hospitals and is also an important symbol of the comprehensive strength and academic status of hospitals. The Group has attached great importance to discipline development, fully leveraging its resources and technological advantages to enhance the specialized service levels of its hospitals. With oncology as the core focus, all disciplines have advanced in parallel, achieving a new high in the number of key clinical specialties (as shown in the table below).

No.	Hospital	Discipline	Key specialties and centers construction
1	Chang'an Hospital (Class III Grade A hospital)	Demonstration center for national standardized chest pain center	
2		Department of psychosomatics	Clinical key specialty development project in Shaanxi Province
3		Department of oncology	Clinical key specialty development project in Xi'an City
4		Department of intensive care unit	Clinical key specialty development project in Xi'an City
5		Clinical Nursing Specialties	Clinical key specialties in Xi'an City
6	Chongqing Hygeia Hospital (Class III hospital)	Department of oncology	National key discipline with respect to clinical capability construction of medical institutions
7		Department of general surgery	Clinical key specialties in High-tech District, Chongqing
8		Department of intensive care unit	Clinical key specialties in High-tech District, Chongqing

No.	Hospital	Discipline	Key specialties and centers construction
9	Hezhou Guangji Hospital (Class III hospital)	National Standardized Metabolic Disease Management Center (MMC)	
10		National chest pain center (basic)	
11		Department of general surgery	Clinical key specialties in Hezhou City
12		Department of intensive care unit	Clinical key specialties in Hezhou City
13		Department of orthopedics	Clinical key specialty development project in Hezhou City
14		Department of nephrology	Clinical key specialty development project in Hezhou City
15		Department of neurology	Clinical key specialty development project in Hezhou City
16		Department of pediatrics	Clinical key specialty development project in Hezhou City
17		Department of urinary surgery	Clinical key specialty development project in Hezhou City
18	Suzhou Yongding Hospital	Department of hematology	Clinical key specialty founding unit in Suzhou City
19		Department of ultrasound	Clinical key specialties in Wujiang District, Suzhou City
20		Department of orthopedics	Clinical key specialties in Wujiang District, Suzhou City
21		Department of medical imaging	Clinical key specialties in Wujiang District, Suzhou City
22	Shanxian Hygeia Hospital	National chest pain center (standard)	
23		National Standardized Extracorporeal Counterpulsation Center	
24		Department of orthopedics	Clinical key specialties in Heze City
25		Department of ophthalmology	Clinical key specialty founding unit in Heze City

No.	Hospital	Discipline	Key specialties and centers construction
26	Longyan Boai Hospital	Department of oncology	County-level clinical key specialties in Longyan City
27		Department of endocrine	County-level clinical key specialties in Longyan City
28	Yixing Hygeia Hospital	Department of proctology	Wuxi City's specialties
29		Department of gynecology	Wuxi City's specialties
30		Department of gastroenterology	Wuxi City's specialties
31		Department of anesthesiology	Wuxi City's specialties

2. Strengthening the construction of hospital talent system

Medical talents are the core competitiveness of the healthcare service industry. The Group has gathered and nurtured a team of experienced and highly-skilled medical talents over the years.

As of December 31, 2024, the Group had 7,607 medical professionals in total, representing an increase of 124 compared to December 31, 2023. Among the medical professionals, 1,236 professionals had advanced qualifications, representing an increase of 48 from December 31, 2023. In 2024, a total of 791 medical professionals of the Group were promoted to a higher professional grade, laying a solid foundation for the long-term development of the Group's hospitals.

The Group currently has 86 high-level talents, including experts enjoying special government subsidies awarded by the State Council as well as the chairmen and deputy chairmen of specialty societies at all levels. Among them, there are 5 experts who enjoy special governmental subsidies of the State Council represented by Chen Guotao (陳國濤), who is the deputy chairman of the Kidney Disease Branch of Chongqing Medical Association (重慶市醫學會腎臟病分會), the visiting scholar of the Mayo Clinic (梅奧醫學中心) of the United States and the director of Chongqing Hygeia Hospital; 5 experts who are the chairmen and deputy chairmen of the national specialty societies represented by Wang Li (王立), who is the deputy chairman of the Internal Medicine Branch of the Chinese Medical Association (中華醫學會內科學分會) and the director of Chongqing Hygeia Hospital; 3 experts who are the chairmen and deputy chairmen of the military specialty societies represented by Liu Hongbin (劉宏斌), who is the deputy chairman of the Military General Surgery Professional Committee (全軍普通外科學專業委員會) and the professor of Chang'an Hospital; 28 experts who are the chairmen and deputy chairmen of the provincial specialty societies; and 45 experts who are the chairmen and deputy chairmen of the municipal specialty societies.

In recent years, through relentless efforts and perseverance, employees of the Group have achieved numerous significant honors and gained widespread social recognition. Professor Zhu Yiwen, the founder of the Group, was elected as the Vice Chairman of the Sixth Committee of the Private Hospital Branch of the Chinese Hospital Association. Li Daliang (李大亮), director of Hezhou Guangji Hospital, was named a "National Model Worker (全國勞動模範)", while Jiang Jinbai (蔣勁柏), the head of the emergency and intensive care unit department of the hospital, was named a "Model Worker of Guangxi Zhuang Autonomous Region (廣西壯族自治區勞動模範)". Yu Fengzhen (于鳳珍), deputy director of Shanxian Hygeia Hospital, was named a "Model Worker in Shandong Province (山東省勞動模範)". Professor Wang Yangmin (王養民), director of the department of urology at Chang'an Hospital and vice chairman of the Military Urology Professional Committee, was honored with the title of "Outstanding Contributing Senior Expert (突出貢獻老專家)" by the Gansu Medical Association. Zhang Hongfei (張鴻飛), director of Chongqing Hygeia Hospital, was awarded the Chongqing May Day Labour Award (重慶五一勞動獎章), while six professors of the hospital, including Zhang Xianquan (張獻全), were selected for the Chongqing Municipal Project Evaluation Expert Pool (重慶市市級項目評審專家庫), 12 experts of the hospital, including Tong Jianguo (童建國), were included in the "Chongqing Labor Appraisal Expert Pool (重慶市勞動鑒定評審專家庫)", and Hu Peng (胡鵬), Luo Kuo (羅闊), and others were recognized as Leading Medical Talents in District and County Healthcare by the Chongqing Municipal Health Commission. Li Xiaohong (李小紅), director of Suzhou Canglang Hospital, was awarded the title of "May 1st Women's Pacesetter (五一巾幗標兵)" by Suzhou City.

3. Enhancing scientific research and academic excellence in hospitals

Since the Listing of the Group, the influence of the experts of its in-network hospitals in the industry has been continuously increasing, with a cumulative total of 796 academic papers published in renowned domestic and international journals. The Group continues to promote the synergistic development of the "medicine, education and research" system, steadily improves the medical research capability through clinical diagnosis and treatment, actively undertakes and implements national, provincial and municipal key scientific research projects, and has been granted a number of national utility model patents and invention patents. Hezhou Guangji Hospital has undertaken multiple scientific research projects assigned by the Municipal Science and Technology Bureau and successfully passed their acceptance reviews. Additionally, Hezhou Guangji Hospital has hosted several continuing education training sessions for the Guangxi Zhuang Autonomous Region, while Shanxian Hygeia Hospital organized a county-wide training program to enhance the diagnostic and treatment capabilities of grassroots medical institutions. By establishing high-quality academic exchange platforms, these initiatives have enabled medical professionals to share insights, absorb advanced concepts, and broaden their academic horizons, thereby driving the high-quality development of discipline construction.

Chongqing Hygeia Hospital has become the teaching hospital and teaching base of the School of Life Sciences (生命科學學院) and the Bioengineering College (生物工程學院) of Chongqing University, respectively, and the first medical institution in Chongqing Hi-Tech District to be certified as a Good Clinical Practice (GCP) medical institution; Suzhou Yongding Hospital has established the institute of clinical medicine of Soochow University-Suzhou Yongding Hospital and cooperated with the School of Rehabilitation of the Shanghai University of Traditional Chinese Medicine in the field of cancer rehabilitation medicine; Chang'an Hospital attended the 8th China Healthcare Industry Development & Investment Conference (第八屆中國醫療健康產業發展與投資年會), hosted the special academic session on "Oncology Discipline High-Quality Development and Service Model Innovation Forum (MDT) (腫瘤學科高質量發展與服務模式創新論壇(MDT))", and held all-around, multi-level and unique academic lectures. The papers of the hospital's imaging department published at the Radiological Society of North America (RSNA), the top academic conference in the field of radiology, for many times, thereby expanding the hospital's influence in the field of radiology at home and abroad. Liu Hongbin (劉宏斌), director of oncology hospital of Chang'an Hospital, was invited to attend FIS2024 China General Surgery Focused Issues Academic Forum and shared his experience as the host of the forum.

4. Continuing to improve medical quality control

Medical quality and safety are directly linked to patient health and represent the lifeline of hospital development. Upholding the service philosophy of "patient-first", the Group places high importance on medical quality control management, continuously strengthening the quality construction of medical services, improving clinical pathway management, and implementing 18 core systems and diagnostic and treatment protocols. The Group is committed to optimizing and upgrading its medical quality control system. Through regular professional training, multidisciplinary collaboration on complex cases, and initiatives to enhance critical care capabilities, the Group improves service efficiency and quality, builds a high-caliber talent pool, and establishes a foundation of patient trust through professionalism and compassion.

5. Innovating medical service models to meet the diversified health needs of the public

In addition to consolidating basic medical services, the Group continues to enhance the quality of its medical services and develop multi-tiered health management services to meet the diversified health needs of the public. Chongqing Hygeia Hospital is equipped with a comprehensive range of original and imported medications to address patients' multi-level medication needs. Shanxian Hygeia Hospital has partnered with Ruijin Hospital of Shanghai Jiao Tong University School of Medicine to establish a joint infertility medical consortium. Chang'an Hospital is continuously improving the quality of consumer medical services such as optometry, medical aesthetics, and dental care. A number of the Group's hospitals are also actively opening medical and nursing care centers, which will provide one-stop medical treatment for geriatric diseases and integrated healthcare and wellness services by leveraging on the high-quality medical resources of such hospitals.

The Group actively explores and advances strategic collaborations with commercial insurance companies to enhance the medical payment system. Hospitals such as Chongqing Hygeia Hospital, Chang'an Hospital, Suzhou Yongding Hospital, and Yixing Hygeia Hospital have already launched commercial insurance settlement services. Chongqing Hygeia Hospital has signed agreements with nearly 20 insurance companies to become a designated hospital for insurance claims and is gradually rolling out direct settlement services. Chongqing Hygeia Hospital is actively expanding its overseas business by integrating commercial insurance to provide high-quality diagnosis and treatment services to patients from Southeast Asia and other regions.

With the deepening application of artificial intelligence (AI) technology in the medical field, the Group actively embraces AI technology and explores its use in various medical scenarios to enhance work efficiency and optimize patient experience:

1. In the field of oncology radiotherapy, the Group has significantly reduced manual errors through AI-assisted target delineation, enabling precise tumor localization and avoiding missed and erroneous radiation exposure. Additionally, the use of intelligent algorithms for rapid processing of imaging data has shortened planning time and improved the efficiency of the radiotherapy department, ensuring timely treatment for patients. By integrating real-time image-guided technology, doctors can monitor tumor position and morphological changes during radiotherapy and adjust target areas in real time, achieving truly individualized and precise radiotherapy.

2. In the field of imaging-assisted diagnosis, AI can accurately identify small pulmonary nodules, increasing the detection rate by 10%–15% compared to traditional methods. The time required to generate chest CT reports has been reduced by 50%–70%, decreasing 30% and above repetitive tasks for doctors and allowing them to focus more on diagnosing complex cases. AI has shortened the diagnostic time for coronary CT angiography, head and neck CT angiography, and computed tomography perfusion (CTP) to 1/5–1/3 of that of traditional methods, with high consistency compared to diagnoses made by senior doctors. This provides strong support for emergency care, screening, and the diagnosis of complex cases.

3. In the area of mobile nursing, AI has enhanced the efficiency and service quality of medical staff of the Group, and improved patient experience, particularly in remote monitoring, personalized care, and case documentation. In terms of patient service improvement, hospitals utilize AI for pre-consultation and initial triage based on patient symptoms, as well as appointment scheduling services, reducing waiting time for patients and increasing consultation efficiency. Additionally, patients can use AI to access information such as doctors' availability and medical insurance reimbursement policies, thereby enhancing their overall healthcare experience.

Internet hospitals provide online consultation, remote diagnosis, health management and other services, which breaks the time and space constraints of traditional medical services and provides patients with more convenient and efficient medical services. During the Reporting Period, the Group's internet hospitals registered nearly 230,000 attendances. The Group will continue to promote the construction of the internet healthcare service network that combines "online + offline (線上+線下)" to provide patients with convenient services such as online consultation, online follow-up consultation for chronic diseases and delivery of medicines to their homes. The Group has also launched the "Internet + Nursing (互聯網+護理)" services, according to which patients can make a "cloud order (雲下單)" through their cell phones, and the hospitals will arrange for nursing staff to head to their homes after "receiving the orders" and deliver professional nursing services to the patients' homes, so that patients with limited mobility who are bedridden or who are not accompanied by their children can enjoy scientific and professional on-site nursing care services without leaving their homes. The internet hospital of the Group's Suzhou Yongding Hospital was awarded the honorary title of the 5th "Internet+" Innovation Award in Wujiang District, receiving a high recognition by patients and the society through carrying out "Internet + Nursing Service (互聯網+護理服務)". During the Reporting Period, the healthcare internet hospital construction project of Chongqing Hygeia Hospital was awarded the "Chongqing Comprehensive Pilot Demonstration Project for the Expansion and Opening Up of the Service Industry (重慶市服務業擴大開放綜合試點示範項目)" and became the only medical institution selected for the project; Yixing Hygeia Hospital has successfully applied to become an internet hospital to provide patients with more convenient access to healthcare.

6. Improving the satisfaction of patients and making healthcare services more accessible and affordable

The Group has been pursuing its original mission of "making healthcare services more accessible and affordable and making life healthier (讓醫療更溫暖，讓生命更健康)". The Group has always put patient benefits at the forefront of its mission and continuously improves the satisfaction of patients. In 2024, the patient satisfaction rate of the Group's hospitals was 97.03%, representing an increase of 0.91 percentage point as compared to 2023. The Group will pursue the goal of 100% satisfaction and continue to optimize its service system.

All in-network hospitals of the Group have launched year-round outpatient service (including public holidays). In addition, they have operated morning-time, midday-time and night-time outpatient service according to the needs of local patients to provide more choices of time for patients to seek medical treatment. Adhering to the patient-centered approach, the Group continuously optimized convenient outpatient services and facilities, set up administrative volunteer service posts, launched the "one registration, three days' validity (一次掛號，三天有效)" convenience initiative, implemented the "90-minute outpatient experience (90分鐘門診就診體驗)", and also implemented the "Credit + Medicine (信用+醫療)" digital application service of "diagnosis and treatment first, payment later (先診療、後付費)" and other innovative service modes, to continue to improve the patient's medical experience.

7. Construction progress of hospitals

The Group is deeply committed to the long-term brand establishment of its hospitals. Those who have immovable property are equipped with perseverance. The Group's hospitals are all self-owned, with a total of approximately 1,200 mu of land for medical and sanitary use and approximately 940,000 square meters of medical facilities and are committed to being recognized as "century-old hospitals" within the medical field.

Dezhou Hygeia Hospital, which was built by the Group itself, had passed acceptance inspection as a Class III general hospital and was officially put into use in 2024, with a designed accommodation of 1,000 beds. In addition, the Wuxi Hygeia Hospital project is scheduled to pass inspection and commence operation in 2025. The construction of Changshu Hygeia Hospital is progressing steadily and is scheduled to pass inspection and commence operation in 2026. Both of the hospitals are designed to be Class III hospitals. Wuxi Hygeia Hospital is designed to accommodate 800 to 1,000 beds, while Changshu Hygeia Hospital is designed to accommodate 800 to 1,200 beds.

Kaiyuan Jiehua Hospital Phase II project, which has a planned construction area of approximately 15,000 square meters and is designed to additionally accommodate approximately 500 beds, is under the progress of internal decoration. The preparation works of the Chang'an Hospital Phase III project, Hezhou Guangji Hospital Phase II project and Suzhou Yongding Hospital Phase II project have commenced. Upon full operation of the hospitals under construction and the completion of Phase II expansion projects of the existing hospitals, the bed capacity will exceed 16,000.

8. Integration progress of mergers and acquisitions

After more than 10 years of development and growth, the Group has accumulated rich experience in hospital management and advantages in resources integration, established a standardized and replicable hospital operation system, and empowered the acquired hospitals through scientific remuneration and performance system reform, hospital quality and safety management, supply chain management, the support from the Group's professional clinical and medical technical departments, reinvestment of healthcare resources and other operation and management measures.

Yixing Hygeia Hospital and Chang'an Hospital successively became part of the Group in 2023. With the support of the Group's standardized and replicable hospital operation system, remarkable results in all kinds of medical work have been achieved in these two hospitals, evidenced by the continuous enhancement of employees' sense of belonging, the steady improvement of the satisfaction of the patients, the continuous improvement of the business scale and operational efficiency as well as the further expansion of its influence in the industry.

For the period of more than one year since becoming part of the Group, Chang'an Hospital had newly added one clinical key specialty development project in Shaanxi Province, one clinical key specialty in Xi'an City and two clinical key specialty development projects in Xi'an City, and the chest pain center had been confirmed as the national standardized demonstration center. Through the establishment of Chang'an Hospital Oncology Hospital, it has gathered excellent experts resources from all over the country to carry out multidisciplinary team consultation under the comprehensive multidisciplinary diagnosis and treatment (MDT) model with the purpose of improving the survival rate of patients. During the Reporting Period, Chang'an Hospital further expanded its medical talent team by newly introducing nine academic leaders with advanced qualification and nineteen specialists with advanced qualification. The admission and treatment capabilities of Chang'an Hospital continued to improve with over 10,000 surgeries of level 3 or 4 finished in 2024, representing a year-on-year increase of 38%, 4.92% of which belongs to those cases with RW≥2, which is higher than the average level of Class III Grade A comprehensive hospitals in Xi'an City.

Yixing Hygeia Hospital continued to improve the development of its disciplines and promoted multidisciplinary comprehensive treatment of oncology. It successfully implemented the technology of radiology treatment for oncology patients, newly introduced the intensive care unit department, medical beauty center and other departments and developed 19 new technologies and projects, consolidated and expanded the hospital's disciplines in Wuxi City's specialties such as the departments of proctology, gynecology and gastroenterology, and successfully established a municipal "Chest Pain Rescue and Treatment Unit (胸痛救治單元)" and also applied for internet hospital. In January 2025, Yixing Hygeia Hospital successfully passed the re-evaluation as a Class II Grade A hospital.

9. Continuously improving the research and development of proprietary SRT equipment and actively expanding the business scope

The Group has relentlessly pursued technological innovation and breakthroughs on its proprietary SRT equipment. For example, the Group successfully completed the registration of CBCT image guidance system, which has significantly improved the accuracy and therapeutic effect of the equipment. Meanwhile, the indications for the Group's proprietary SRT equipment were further expanded, providing patients with more advanced medical choice. Additionally, the Group actively expanded its business scope and externally provided CRO service for the registration and application of device and software by utilizing the Group's clinical resources, providing customers with full process support from research and development to registration, and thereby promoting the innovation and development of the industry.

Continuously improving environmental, social and governance (ESG) construction

The Group has always adhered to long-termism and the benevolence of medical professionals, actively organizing public welfare activities such as voluntary blood donation, hematopoietic stem cell donation, community service, health lectures, and breast and cervical cancer screening, actively contributing to the development of local economy and society, thereby continuously enhancing the hospitals' brand and social influence.

Hezhou Guangji Hospital was honored by the Central Committee of the Communist Party of China as a "National Advanced Grass-roots Party Organization (全國先進基層黨組織)", recognized by the All-China Federation of Trade Unions with the honorary title of the "Pioneer of Workers (工人先鋒號)" and was also awarded as the "First Batch of Western Social Medical Benchmark Hospitals (首批西部社會辦醫標桿醫院)". Chongqing Hygeia Hospital was awarded as the "Outstanding Private Enterprise in Chongqing (重慶市優秀民營企業)" by the Chongqing Municipal Committee of the Communist Party of China and the Chongqing Municipal People's Government. Chang'an Hospital was awarded as the title of "Five-Star Party Organization (五星級黨組織)" and recognized as "Enterprise Fulfilling Social Responsibility in Xi'an (西安市履行社會責任企業) for 2023" by the organization department of Shaanxi Provincial Party Committee of the Communist Party of China. Suzhou Canglang Hospital was awarded the "Outstanding Unit of Elderly-Friendly Healthcare Institution (老年友善醫療機構優秀單位)" in Jiangsu Province and the Suzhou May Day Labour Award (蘇州市五一勞動獎). Shanxian Hygeia Hospital was awarded the "Shanxian Economic Development Contribution Award for 2023 (2023年度單縣經濟發展貢獻獎)".

The Group is committed to upholding the honorable tradition of supporting the military and giving preferential treatment to military families, as well as supporting the government and cherishing the people. It strictly implements various preferential policies and provides more convenient and superior healthcare services and health protection for military personnel, their families, veterans, and all other eligible beneficiaries. As the first military-supporting hospital in Guangxi Zhuang Autonomous Region, Hezhou Guangji Hospital was awarded the honorary title of "Patriotic Military Support Model Unit in Guangxi Zhuang Autonomous Region (廣西壯族自治區愛國擁軍模範單位)". Longyan Boai Hospital was awarded as the "Military Support and Preferential Hospital (擁軍優撫醫院)" in Longyan City. Yixing Hygeia Hospital was awarded as the "Yixing City Advanced Collective for Veterans Affairs and Double Support Work (宜興市退役軍人事務和雙擁工作先進集體)". Liaocheng Hygeia Hospital was honored with the honorary title of "Military Support Unit (擁軍單位)" by Liaocheng Economic and Technological Development Zone. Dezhou Hygeia Hospital was elected as a member of the "Shandong Army-supporting Alliance Entity (山東榮軍聯盟)". Suzhou Yongding Hospital, a pioneer as Suzhou City's first hospital designated to provide preferential treatment to veterans and other eligible beneficiaries, was highlighted in feature stories by various media including Xinhua Daily and China Veterans.

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

The Group attaches great importance to investor relations management, continuously improves its corporate governance and protects the legitimate rights and interests of the Shareholders, especially the minority Shareholders. The management and staff of the Group worked together to enhance the inherent value of the Group and create good investment returns for investors. Mr. Zhu Yiwen, the founder, Chairman of the Board and chief executive officer of the Group, and parties acting in concert with him have never reduced their shareholdings in the Company, and have increased their shareholdings in the Group for 18 times since the Listing of the Company, holding a total of over 3 million Shares, demonstrating their firm commitment to standing together with the broad base of public Shareholders. Since its Listing in 2020, the Group has consistently valued Shareholder returns and has distributed accumulative dividends of approximately RMB170 million. In addition, the Company repurchased and cancelled a total of 1,275,800 Shares in 2022, and cumulatively repurchased 13,025,200 Shares from September 2024 to January 2025, of which all Shares repurchased have been cancelled by March 31, 2025. Also, the Group was selected among the "Top 50 Hong Kong Stock Connection (港股通50強)" in the 10th Hong Kong Stock Top 100 Selection (第十屆港股100強), and awarded among the "6th New Fortune Best IR of Hong Kong Listed Companies List (第六屆新財富最佳IR港股公司)" and the "2023 Sina Finance Golden Kylin Award — The Most Trusted Healthcare Service Institution (2023新浪財經金麒麟 — 最受使用者信賴的醫療服務機構)". Mr. Zhu Yiwen, the founder, Chairman of the Board and chief executive officer of the Group, was awarded the title of "Wei Lan Award — Entrepreneur of the Year (蔚藍獎 • 年度風雲企業家)".

The Group established and continuously optimized a sound system of labor protection, remuneration and benefits to protect the legitimate rights and interests of its employees; it also established the Hygeia Healthcare Teaching and Researching Institute to continuously enrich its training system and enhance the core competitiveness of its staff, and adopted a "dual-track promotion" system to fully simulate the enthusiasm of its staff, realizing the mutual development of the Group and its staff.

In addition to strengthening the protection of patients', shareholders', employees' and other stakeholders' rights and interests in the social aspect, in terms of environment, the Group regards the environmental protection as a material strategic issue. It monitors resources usage in its in-network hospitals through a standardized and modular matrix management model and continues to improve the operational model through a comprehensive data analysis system. The Group strictly complies with relevant environmental regulations and corresponding standards for effective and comprehensive treatment of wastewater, air emissions and waste residues. With a commitment to environmental excellence, the Group has also set targets and actions for 2030 in respect of the intensity of greenhouse gas emissions, water use intensity and energy consumption intensity.

In terms of governance, the Group maintains strict compliance with relevant laws and regulations, continuously improving its corporate governance structure. The nomination committee, the audit committee and the remuneration committee were established to ensure its decision-making is professional, efficient and transparent. The general meetings, the Board and the management have clear responsibilities, fulfilling their respective roles and coordinating operations effectively, thus laying a solid foundation for the corporate's ongoing, stable and robust development. The Group is resolutely against any forms of corruption and has formulated and implemented the "Anti-Corruption and Anti-Bribery Letter of Commitment (反腐敗、反賄賂承諾書)" and other internal rules and regulations, established various reporting channels, such as hotline and email, as well as internal complaint channel, and conducted anti-corruption training sessions, consistently striving to foster a corporate culture of transparency and integrity. The Group attaches great importance to establishing good public relations with all parties in the community, being monitored by governments and authorities at all levels, regulating the use of medical insurance funds, fulfilling its obligations as a taxpayer and contributing to the development of the local economy. Hygeia is committed to upholding the values of "telling the truth, being pragmatic and acting with integrity (說實話、辦實事、講誠信)", respecting and protecting the legitimate rights and interests of suppliers, promoting business ethics, promoting integrity and maintaining a clean and healthy environment in the medical field.

Industry Policy and Trend

The long-term support of national policies creates a favorable external environment for society to operate medical services and oncology medical services industry. As the reform of China's pharmaceutical and healthcare system continues to deepen, the government has proposed several policy recommendations to encourage the introduction of social capital into the medical field, to increase the supply in the medical service sector, and to allocate medical resources rationally. This aims to address the issues of insufficient total medical resources and uneven allocation in the country:

(1) In March 2025, Premier Li Qiang delivered the "Report on the Work of the Government (《政府工作報告》)" at the third session of the 14th National People's Congress (NPC). He pointed out that China will take solid steps to implement policies and measures designed to spur the growth of the private sector, effectively protect the lawful rights and interests of private enterprises and entrepreneurs in accordance with the law...... under the health-first strategy, the government will promote the coordinated development and governance of medical services, medical insurance, and pharmaceuticals...... it will increase the supply of quality medical resources, channel them toward the community level, and ensure a more balanced distribution among regions, while implementing projects to strengthen the foundations of medical and health care. The standards of per capita financial subsidy for residents' medical insurance and basic public health services will be raised by a further RMB30 and RMB5, respectively;

(2) In February 2025, General Secretary Xi Jinping attended a symposium on private enterprises and delivered an important speech. He emphasized that the Party and the state's basic principles and policies for the development of the private economy have been incorporated into the system of socialism with Chinese characteristics, and will be consistently upheld and implemented, which cannot and will not change. The private sector enjoys broad prospects and great potential on the new journey in the new era. It is a prime time for private enterprises and entrepreneurs to give full play to their capabilities. We must unify our thinking and reinforce our resolve to advance the sound and high-quality development of the private economy. It is hoped that the vast number of private enterprises and entrepreneurs will embrace the ambition to contribute to the nation, remain steadfast in their pursuit of development, operate within the law with adept management, and lead the way in prosperity to promote common wealth, thereby making new and greater contributions to advancing the modernization of China;

(3) In December 2024, the draft of the Private Sector Promotion Law was submitted by the State Council to the 13th session of the Standing Committee of the 14th NPC for its initial review. From February 24 to February 25, 2025, the 14th session of the Standing Committee of the 14th NPC conducted its second review of the draft. The Private Sector Promotion Law will provide a solid legal foundation for promoting the healthy development of the private economy and to better foster a first-class business environment that is market-oriented, rule-of-law-based, and internationalized;

(4) In November 2024, the National Healthcare Security Administration and the Ministry of Finance jointly issued the "Notice on Improving the Pre-payment of Medical Insurance Funds (《關於做好醫保基金預付工作的通知》)", aiming to assist designated medical institutions in alleviating the financial pressure of advancing medical expenses;

(5) In September 2024, the Ministry of Commerce, the National Health Commission and the National Medical Products Administration issued the "Notice on Expanding Pilots of Opening-up in the Healthcare Sector (關於在醫療領域開展擴大開放試點工作的通知)", permitting the establishment of wholly foreign-owned hospitals in the pilot cities;

(6) In July 2024, the National Healthcare Security Administration issued the "Notice on Printing and Issuing the Version 2.0 Grouping Scheme for Payment of Fees According to the Value of Disease Groups and Types of Diseases and Deepening the Related Work (《關於印發按病組和病種分值付費2.0版分組方案並深入推進相關工作的通知》)", pointing out that it will accelerate the implementation of the version 2.0 grouping scheme, improve the standardization and uniformity of the payment reform, enhance the level of the settlement of the medical insurance funds, and encourage the use of fund pre-payment to alleviate the pressure on the capital of the medical institutions, and comprehensively clear up the outstanding fees due under medical insurance funds;

(7) In July 2024, the third plenary session of the 20th Central Committee of the Communist Party of China announced the "Decision on Further Deepening Reforms and Promoting Chinese-Style Modernization (《關於進一步深化改革，推進中國式現代化的決定》)", which states that it would adhere to the principle and policy of creating a favorable environment and providing more opportunities for the development of non-publicly-owned economy, formulate a law on the promotion of privately-owned economy, break down the barriers to market access in depth, and improve the long-term effective mechanism for the participation of privately-owned enterprises in the construction of major national projects;

(8) In March 2024, Premier Li Qiang, on behalf of the State Council, delivered the "Report on the Work of the Government (《政府工作報告》)" at the second session of the 14th NPC, proposing to improve the capacity of medical and health services as one of the government's work tasks in 2024, to increase the standard of per capita financial subsidy for residents' medical insurance by RMB30, and to promote the synergistic development and governance of medical insurance, medical care and medicine;

(9) In February 2024, the Ministry of Justice, in conjunction with relevant departments, accelerated the legislative process of the Private Economy Promotion Law. This is to provide a solid legal foundation for promoting the healthy development of the private economy and to better foster a first-class business environment that is market-oriented, rule-of-law-based, and internationalized;

(10) In October 2023, the National Health Commission, together with 13 departments, issued the "Healthy China Action — Cancer Prevention and Control Action Implementation Plan (2023–2030) (《健康中國行動 — 癌症防治行動實施方案(2023–2030年)》)", which establishes the main goals for the period until 2030: cancer prevention and control system will be further improved, the capacity of comprehensive prevention and control of risk factors, cancer screening and early diagnosis and treatment will be significantly strengthened, the level of standardized diagnostic and treatment will steadily be raised, and the increasing trend of cancer incidence and mortality rates will be contained, the overall five-year survival rate of cancer will reach 46.6%, and the burden of disease on patients will be effectively controlled; it is also proposed to promote the expansion, allocation to grassroots and balanced distribution of quality cancer prevention and treatment resources, to deeply promote early screening and early diagnosis and treatment of cancer, to optimize the mode of diagnosis and treatment, to continue promoting the multidisciplinary diagnosis and treatment mode, and to enhance the capacity of cancer-related clinical specialties;

(11) In July 2023, the National Development and Reform Commission and other departments issued the "Notice on Implementing Several Measures to Promote the Development of the Private Economy in the Near Term (《關於實施促進民營經濟發展近期若干舉措的通知》)", which introduces 28 specific measures to address the prominent issues faced in the development of the private economy, stimulate the vitality of private economic development and boost confidence in the development of the private economy, thereby promoting the growth of the private economy;

(12) In July 2023, the National Health Commission issued the "Guiding Opinions on Promoting Clinical Specialty Capacity Building (《關於推動臨床專科能力建設的指導意見》)", which emphasizes the importance of specialty capacity building, pointing out that: on the basis of giving full consideration to the needs of local people for medical treatment and their own functional positioning, medical institutions should focus on cardio-cerebral-vascular diseases, malignant tumors, respiratory diseases, metabolic diseases and other major diseases with high morbidity and seriously endangering people's health by combining with the overall planning of the administrative departments of health and wellness, and the strengths of the organization and key supportive disciplines, and determine the direction of the key construction of the clinical specialties of the organization, and specify the core types of diseases and the objectives of construction;

(13) In July 2023, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Promoting the Development and Growth of the Private Economy (《關於促進民營經濟發展壯大的意見》)", which clearly points out: the private economy is a vital force in advancing Chinese-style modernization, an important foundation for high-quality development, and a significant power in driving China to fully build a strong modern socialist country in all respects and achieve the second centenary goal. The "Opinions" proposed a series of key measures to promote the development and growth of the private economy: firstly, the environment for the development of the private economy should be continuously optimized; secondly, the policy support for the private economy should be increased; thirdly, the rule of law guaranteeing the development of the private economy should be enhanced; fourthly, efforts should be made to promote high-quality development of the private economy; fifthly, the healthy growth of members of the private economy should be promoted; sixthly, a social atmosphere of caring for and promoting the development and growth of the private economy should be built up continuously;

(14) In March 2023, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council released the "Opinions on Further Improving the Medical and Health Service System (《關於進一步完善醫療衛生服務體系的意見》)", which proposes to promote the expansion of high-quality medical resources and a balanced regional distribution, and build a Chinese-characteristic medical and health service system that is high-quality and efficient; while private medical institutions may take the lead in forming or participate in medical consortiums; and

(15) In February 2023, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the "Opinions on Further Deepening Reforms to Promote the Healthy Development of the Rural Medical and Health System (《關於進一步深化改革促進鄉村醫療衛生體系健康發展的意見》)", which states that social forces are encouraged to establish clinics, outpatient departments, private hospitals, etc., to provide diversified medical services for the rural population.

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

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

The "2024 Statistical Bulletin on the National Economic and Social Development of the People's Republic of China (《中華人民共和國2024年國民經濟和社會發展統計公報》)" shows that: by the end of 2024, the elderly population in China aged 60 and above reached 310 million, with the proportion of the elderly population in the total population rising to 22.0%; the population aged 65 and above reached 220 million, accounting for 15.6% of the total population. According to the estimation of the National Health Commission, in the coming period, the degree of aging will continue to intensify, and it is expected that the elderly population aged 60 and above will exceed 400 million by 2035, accounting for more than 30% of the total population, and entering the stage of severe aging. Therefore, it can be expected that tumors and other age-related diseases brought on by the aging population will continue to grow and the demand for relevant diagnosis and treatment services will gradually increase.

According to Frost & Sullivan's analysis, the market size of China's oncology healthcare services market (measured by revenue) has increased from RMB337.1 billion in 2018 to RMB495.1 billion in 2022, with a compound annual growth rate of 10.1%. With the growing demand for and the increasing accessibility to oncology treatment, the market size of China's oncology healthcare services market (measured by revenue) is expected to reach RMB768.7 billion in 2026, with a compound annual growth rate of 11.6% from 2022 to 2026. Meanwhile, the market size of China's private oncology healthcare services market (measured by revenue) will reach RMB109.2 billion in 2026, with a compound annual growth rate of 19.8% from 2022 to 2026. The market size of China's oncology healthcare services market (measured by revenue) will continue to increase from RMB768.7 billion in 2026 to RMB1,121.4 billion in 2030, and the market size of the private oncology healthcare services market for the same period will increase from RMB109.2 billion to RMB207.5 billion, with a compound annual growth rate of 17.4%. The Group believes that by enhancing construction of academic disciplines and improving diagnosis and treatment technology and services continuously, the Group is able to provide multi-level and one-stop diagnosis and treatment services to more oncology patients and satisfy their unmet needs.

Looking forward

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

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

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

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

The Group will actively embrace innovative technologies and initiative. By leveraging AI image recognition technology, we aim to support physicians in achieving rapid and precise disease diagnosis, thereby elevating both the efficiency and accuracy of diagnostic processes. Furthermore, we will develop an AI-powered intelligent triage system to optimize patient treatment processes, enabling the intelligent allocation of medical resources and enhancing operational efficiency. The Group will also establish an AI-driven intelligent customer service platform to deliver online consultations, health management and other services, with a view to enhancing patient convenience and improving their healthcare experience.

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

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased by 9.1% to RMB4,446.1 million for the year ended December 31, 2024 from RMB4,076.7 million for the year ended December 31, 2023.

Hospital Business

The Group's revenue from hospital business, accounting for 97.2% of the Group's total revenue, increased by 11.1% to RMB4,322.6 million for the year ended December 31, 2024 from RMB3,890.3 million for the year ended December 31, 2023. The Group is committed to continually enhancing the brand influence and reputation of the Group's in-network hospitals, leading to the continuous and stable growth in its overall revenue. For the year ended December 31, 2024, the number of patient visits of the Group was approximately 4.5 million, representing an increase of 23.8% over last year.

Other Business

For the year ended December 31, 2024, the Group's revenue from other business amounted to RMB123.6 million, accounting for 2.8% of the Group's total revenue.

Cost of Revenue

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

The Group's cost of revenue increased by 11.7% to RMB3,116.6 million for the year ended December 31, 2024 from RMB2,790.4 million for the year ended December 31, 2023, which was mainly due to the increase in cost of revenue brought by the continuous increase in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 3.4% to RMB1,329.5 million for the year ended December 31, 2024 from RMB1,286.3 million for the year ended December 31, 2023. For the year ended December 31, 2024, the Group's gross profit margin was 29.9%.

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, 2024, the Group's selling expenses were RMB53.4 million, accounting for 1.2% of the Group's total revenue.

Administrative Expenses

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

The Group's administrative expenses increased by 6.1% to RMB437.3 million for the year ended December 31, 2024 from RMB412.2 million for the year ended December 31, 2023. The ratio of administrative expenses to the Group's total revenue decreased by 0.3 percentage point to 9.8% in 2024 from 10.1% in 2023, primarily due to the Group's continuous optimization of management costs to maintain the advantage of economies of scale.

Impairment Losses on Financial Assets

During the Reporting Period, the Group's impairment losses on financial assets primarily consisted of impairment losses on receivables.

For the year ended December 31, 2024, the Group's impairment losses on financial assets was RMB57.6 million.

Other Income

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

The Group's other income decreased by 3.6% to RMB48.9 million for the year ended December 31, 2024 from RMB50.7 million for the year ended December 31, 2023.

Other (Losses)/Gains — Net

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

The Group recorded other losses — net of RMB8.9 million for the year ended December 31, 2024 and other gains — net of RMB14.9 million for the year ended December 31, 2023, with other gains decreased by RMB23.8 million in aggregate, primarily due to the decrease of RMB12.5 million in net foreign exchange gains.

Finance Income and Costs

During the Reporting Period, the Group's finance income was composed of interest income on bank savings. The Group's finance income decreased to RMB1.5 million for the year ended December 31, 2024 from RMB10.2 million for the year ended December 31, 2023.

During the Reporting Period, the Group's finance costs were mainly composed of interest expenses on bank borrowings. The Group's finance costs increased to RMB71.8 million for the year ended December 31, 2024 from RMB43.2 million for the year ended December 31, 2023.

During the Reporting Period, the Group's finance costs — net increased by RMB37.3 million as compared to the last year.

Income Tax Expense

The Group's income tax expense decreased by 10.9% to RMB152.5 million for the year ended December 31, 2024 from RMB171.1 million for the year ended December 31, 2023.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit decreased by 12.6% to RMB598.3 million for the year ended December 31, 2024 from RMB684.9 million for the year ended December 31, 2023. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including share-based compensation expenses, depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals, net foreign exchange losses/(gains). The Group's non-IFRS adjusted net profit decreased by 15.6% to RMB602.3 million for the year ended December 31, 2024 from RMB713.4 million for the year ended December 31, 2023.

Non-IFRS Measures

To supplement the Group's consolidated statement of comprehensive income which are presented in accordance with IFRS, the Company has provided adjusted net profit as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statement of comprehensive income in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these non-IFRS adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies as they do not share a standardized meaning. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as 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,	
	2024 **(RMB'000)**	2023 (RMB'000)
Net profit	**598,332**	684,948
Adjustments:		
Depreciation and amortization of the appreciation in valuation of assets arising from acquisitions of hospitals	**13,267**	10,413
Net foreign exchange losses/(gains)	**1,401**	(11,166)
Share-based compensation expenses	**(10,736)**	29,250
Non-IFRS adjusted net profit	**602,264**	713,445

Liquidity and Capital Resources

As of December 31, 2024, the Group had cash and cash equivalents of RMB369.1 million, structured deposit and wealth management products of RMB282.5 million, for a total of RMB651.6 million. The Group anticipates to fund its working capital and other capital needs through a diverse array of sources, which includes, but not limited to cash inflow generated from operating activities and external financing at competitive market rates, etc.

Cash Flow

Operating Activities

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

The Group's net cash generated from operating activities decreased by 9.7% to RMB707.1 million for the year ended December 31, 2024 from RMB782.8 million for the year ended December 31, 2023. Excluding the pre-completion tax paid for the acquired hospitals of RMB17.7 million and the settlement of previous suppliers' payables of RMB96.0 million, the net cash generated from the Group's operating activities amounted to RMB820.8 million, representing an increase of 4.9% over 2023, with the net cash to net profit ratio increased by 22.9 percentage points over 2023.

Investing Activities

During the Reporting Period, the Group's cash used in investing activities mainly comprised of payments for purchases of property 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 76.6% to RMB671.1 million for the year ended December 31, 2024 from RMB2,863.5 million for the year ended December 31, 2023. The decrease in net cash used in investing activities of RMB2,192.4 million was primarily attributable to (i) the decrease in the Group's payments for acquisition of subsidiaries of RMB1,755.8 million; and (ii) the decrease in payments for purchases of property and equipment of RMB328.1 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 for repurchases of ordinary Shares and payment of interests on bank borrowings.

The Group's net cash used in financing activities for the year ended December 31, 2024 was RMB216.6 million, while the net cash generated from financing activities for the year ended December 31, 2023 was RMB1,775.3 million. The decrease in net cash generated from financing activities of RMB1,991.9 million was mainly due to (i) the decrease of RMB1,217.6 million in the Group's net cash inflow from bank borrowings and the accumulated payments for repurchasing Shares of RMB168.1 million in 2024; and (ii) the proceeds from the placing completed by the Group in January 2023 of RMB681.7 million.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on (i) property and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures decreased by 34.6% to RMB615.1 million for the year ended December 31, 2024 from RMB940.8 million for the year ended December 31, 2023.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2024, there was no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Financial Position

Total Assets and Total Liabilities

As of December 31, 2024, the Group's total assets were mainly composed of cash and cash equivalents, financial assets at fair value through profit or loss, trade, other receivables and prepayments, property, plant and equipment, inventories and intangible assets. The Group's total assets increased by 1.8% to RMB10,929.3 million as of December 31, 2024 from RMB10,734.6 million as of December 31, 2023.

As of December 31, 2024, the Group's total liabilities were mainly composed of borrowings, trade and other payables, current income tax liabilities, deferred income tax liabilities, deferred revenue and contract liabilities. The Group's total liabilities decreased by 5.0% to RMB4,254.9 million as of December 31, 2024 from RMB4,479.7 million as of December 31, 2023.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 3.8% to RMB215.8 million as of December 31, 2024 from RMB207.9 million as of December 31, 2023.

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances of the receivables arising from the provision of healthcare services. The Group's trade receivables decreased by 4.7% to RMB823.0 million as of December 31, 2024 from RMB864.0 million as of December 31, 2023.

The Group's other receivables mainly represented deposits receivables. The Group's other receivables increased by 12.3% to RMB49.3 million as of December 31, 2024 from RMB43.9 million as of December 31, 2023.

The Group's prepayments for current assets mainly included prepayments to suppliers. The Group's prepayments to suppliers decreased by 14.5% to RMB61.1 million as of December 31, 2024 from RMB71.5 million as of December 31, 2023.

The Group's prepayments for non-current assets included prepayments for property and equipment. Prepayments for property and equipment represented 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 and equipment decreased by 76.9% to RMB32.1 million as of December 31, 2024 from RMB138.8 million as of December 31, 2023, primarily due to the decrease in prepayments for large-scale medical equipment purchased upon acceptance and commissioning.

Intangible Assets

The Group's intangible assets were primarily comprised of goodwill, medical licenses, software, and contractual rights to provide management services. The Group's intangible assets decreased by 0.1% to RMB3,943.4 million as of December 31, 2024 from RMB3,945.8 million as of December 31, 2023.

Trade and Other Payables

The Group's trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of radiotherapy center services. The Group's trade payables decreased by 20.1% to RMB549.0 million as of December 31, 2024 from RMB687.1 million as of December 31, 2023, primarily due to settlement of previous suppliers' payables for the acquired hospitals of RMB96.0 million in 2024.

The Group's other payables primarily represented salaries payables, other taxes payables and payables for construction projects. The Group's other payables decreased by 18.7% to RMB587.5 million as of December 31, 2024 from RMB723.0 million as of December 31, 2023, primarily due to (i) the decrease in salaries payable of RMB70.0 million; and (ii) the decrease in payables of considerations for acquisition of subsidiaries of RMB50.1 million.

Borrowings

As of December 31, 2024, the Group had outstanding short-term borrowings of RMB532.0 million and long-term borrowings of RMB2,247.2 million.

Pledge of Assets

Except for equity pledge of the Group and pledge of property, plant and equipment mentioned in Note 24 to the consolidated financial statements, the Group had no other pledged assets as of December 31, 2024.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities increased by 0.7% to RMB54.7 million as of December 31, 2024 from RMB54.3 million as of December 31, 2023.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of December 31, 2024 were primarily related to commitments for (i) the construction and renovation of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments decreased by 6.3% to RMB463.1 million as of December 31, 2024 from RMB494.4 million as of December 31, 2023.

Contingent Liabilities

As of December 31, 2024, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, liabilities under acceptance or acceptance credits, or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

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

Debt to Asset Ratio

The debt to asset ratio is calculated as total borrowings divided by total assets and multiplied by 100%. The debt to asset ratio of the Group as of December 31, 2024 was 25.4%, which was unchanged from that of 2023.

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, 2024 was 36.3%.

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 financial assets and financial liabilities is denominated in RMB. The Group had minimal transactions denominated in foreign currencies during the years ended December 31, 2024 and 2023 and the impact of foreign currency risk/fluctuations in exchange rates on the Group's operation is minimal.

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 has not used any interest rate swap contracts or other financial instruments to hedge against interest rate exposure but will consider hedging interest rate risk should the need arise.

Credit Risk

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

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

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

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

Liquidity Risk

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

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended December 31, 2024.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2024, the Group had 8,169 full-time employees, among whom 82 were employees at the headquarters level and 8,087 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function:

Functions	Number of employees	
	December 31, 2024	December 31, 2023
Headquarters level		
Operations	49	52
Manufacturing	14	18
Management, administrative and others	19	23
Sub-total	82	93
Self-owned hospitals		
Physicians	2,400	2,341
Other medical professionals	4,567	4,578
Management, administrative and others	1,120	1,226
Sub-total	8,087	8,145
Total	8,169	8,238

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 report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

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

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

For the year ended December 31, 2024, total staff remuneration expenses including Directors' remuneration amounted to RMB1,456.1 million (for the year ended December 31, 2023: RMB1,335.9 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions burdened by the Group, performance-based compensation and discretionary bonus.

EVENT AFTER THE REPORTING PERIOD

Subsequent to December 31, 2024, the Company repurchased a total of 1,928,000 Shares on the Stock Exchange with an aggregate amount of HK$25,578,484. The Shares were repurchased in January 2025. As of the date of this report, the repurchased Shares have been cancelled by the Company.

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

Directors and Senior Management

DIRECTORS

Chairman of the Board and Executive Director

Mr. Zhu Yiwen (朱義文), aged 62, was appointed as an non-executive Director and vice chairman of the Company on March 30, 2021, appointed as the Chairman on July 6, 2021, and redesignated as an executive Director on August 23, 2021. Mr. Zhu is primarily responsible for the mid to long term development strategy formulation and the disciplines development planning of the in-network hospital of the Group. Mr. Zhu is the father of Ms. Zhu, and father-in-law of Mr. Ren.

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

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

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

Executive Directors

Mr. Ren Ai (任愛), aged 40, was appointed as a Director on September 12, 2018 and was re-designated as an executive Director on September 18, 2019. Mr. Ren was appointed as the co-chief executive officer of the Company and stepped down from his role as the secretary to the Board in March 2025. He is responsible for supervising the daily operation and management of the Group as well as for the investment and financing, supply chain management and human resources of the Group. Mr. Ren was also appointed as the joint company secretary of the Company on June 29, 2020. Mr. Ren is the spouse of Ms. Zhu, and son-in-law of Mr. Zhu.

Mr. Ren has over 15 years of management experience and started 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 was appointed as the assistant to the chairman of the Board in February 2016 and appointed as the senior vice president of the Group in February 2020, a position which he held until March 2025. Mr. Ren 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.

Ms. Cheng Huanhuan (程歡歡), aged 41, was appointed as a Director on June 3, 2019 and was re-designated as an executive Director on September 18, 2019. Ms. Cheng has been with the Group for more than 15 years since it started its business in 2009 and was appointed as the secretary to the Board in March 2025 to support the development of the Company and focus on assisting the Board in the implementation of the Board's decisions.

Ms. Cheng has accumulated rich experience in the daily management and operation of the Group, gained in-depth understanding of 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. She served as the investment director of the Group in May 2009, as the director of investment and strategic business of the Group in January 2015, as the vice president of the Group in January 2018, as the vice president of the Group in December 2019 and as the chief executive officer of the Group in December 2019, where she was subsequently re-designated as the co-chief executive officer of the Company in August 2021. In March 2025, Ms. Cheng stepped down from her role as the co-chief executive officer of the Company due to a redesignation of duties in the Group.

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. Zhang Wenshan (張文山), aged 43, was appointed as an 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 49, was appointed as an executive Director 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 68, was appointed as an independent non-executive Director on September 18, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

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

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

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

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

Mr. Zhao Chun (趙淳), aged 72, was appointed as an independent non-executive Director on May 6, 2022 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Zhao, has more than 23 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 54, was appointed as an independent non-executive Director on September 21, 2019 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Ye has over 30 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).

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, VNET Group, Inc. (Stock Code: VNET. NASDAQ) from August 2022 to October 2024 and NWTN Inc. (Stock Code: NWTN. NASDAQ) from November 2022 to December 2024. 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 and Ascentage Pharma Group International (Stock Code: 6855.HK) since June 2019.

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

SENIOR MANAGEMENT

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

Mr. Ren Ai (任愛) is an executive Director and the co-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 secretary to the Board. See "— Directors — Executive Directors" for details of her 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, 2024 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, 2024, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 36 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated financial statements of this annual report.

The Board has resolved not to declare any final dividend for the year ended December 31, 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from June 24, 2025 to June 27, 2025, 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 27, 2025 will be June 27, 2025. 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 23, 2025.

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, 2024, 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.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2024, the Group's sales to its five largest customers accounted for 1.4% (2023: 2.7%) of the Group's total revenue, and the Group's sales to its single largest customer accounted for 0.5% (2023: 1.3%) of the Group's total revenue. Handan Renhe Hospital was the largest customer of the Group.

Major Suppliers

For the year ended December 31, 2024, the Group's purchases from its five largest suppliers accounted for 15.4% (2023: 32.8%) of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 3.6% (2023: 11.1%) of the Group's total purchases.

As of the date of this annual report, except Handan Renhe Hospital, 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 2024 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, 2024 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, 2024 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, 2024 are set out in Note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the Company's reserves available for distribution were approximately RMB7,069.8 million.

TAXATION

Tax position of the Company for the year ended December 31, 2024 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, 2024 are set out in Note 24 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended December 31, 2024 and up to the date of this annual report are:

Executive Directors

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

Independent Non-executive Directors

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

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

Details of the Directors, Mr. Zhang Wenshan, Mr. Ye Changqing and Mr. Zhao Chun, to be re-elected at the AGM will be set out in the circular to the Shareholders to be dispatched in due course.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

REMUNERATION POLICY

As of December 31, 2024, the Group had 8,169 employees (December 31, 2023: 8,238 employees), among which 82 were employees at the headquarters level and 8,087 were employees of self-owned hospitals. Total staff remuneration expenses including Directors' remuneration in 2024 amounted to RMB1,456.1 million (for the year ended December 31, 2023: RMB1,335.9 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, 2024, 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, 2024, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in Shares and Underlying Shares of the Company

(a) Ordinary Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares(2)	Approximate percentage of total issued Shares(1)
Mr. Zhu	Beneficial interest/Founder of a discretionary trust(3)/Interest of concert parties(4)	283,560,615 (L)	45.61%
Mr. Ren Ai	Beneficial interest/Interest in a controlled corporation(5)/Interest of spouse(6)	283,560,615 (L)	45.61%
Mr. Zhang Wenshan	Beneficial interest	32,235 (L)	0.01%

(b) Share Options granted by the Company

Name of Director	Number of underlying Shares held pursuant to the Share Option Scheme	Approximate percentage of shareholding in the Company[1]
Mr. Zhu	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) As of December 31, 2024, the total number of issued Shares was 621,771,200.

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

(3) On September 30, 2024, Mr. Zhu and Ms. Zhu respectively established discretionary family trusts, namely Ewen Legacy Trust and Ewen Eternity Trust (the "**Family Trusts**"). TMF (Cayman) Ltd. Acts as trustee of the Family Trusts and holds an aggregate of 279,736,818 Shares through Ewen Legacy Limited, Century River Holdings Limited, Ewen Eternity Limited, Amber Tree Holdings Limited and Red Palm Holdings Limited. Mr. Zhu is the settlor of Ewen Legacy Limited while Ms. Zhu is the settlor of Ewen Eternity Limited. Mr. Zhu and Ms. Zhu are the beneficiaries of the Family Trusts.

(4) Pursuant to the establishment of the Family Trusts, Mr. Zhu, Ms. Zhu and TMF (Cayman) Ltd. (as trustee of the Family Trusts) entered into a concert party confirmation on September 30, 2024 and 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 TMF (Cayman) Ltd., are all deemed to be interested in the total Shares directly and indirectly held by Ewen Legacy Limited, Century River Holdings Limited, Ewen Eternity Limited, Amber Tree Holdings Limited and Red Palm Holdings Limited.

(5) 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.

(6) 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.

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 our Group.

(2) Mr. Zhu and his daughter, Ms. Zhu holds 40% and 60% equity interest, respectively, in Xiangshang Investment which in turn holds 100% equity interest in Hygeia Hospital Management, and therefore, Mr. Zhu and Ms. Zhu 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, 2024, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme (as defined below) as disclosed in the paragraph headed "Share Option Scheme" of this 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) Ms. Cheng Huanhuan has stepped down from her role as the co-chief executive officer of the Company due to a redesignation of duties in the Group, following which she will remain as an executive Director and has been appointed as the secretary to the Board; and Mr. Ren Ai has been appointed as the co-chief executive officer of the Company and has stepped down from his role as the secretary to the Board. For details, please refer to the Company's announcement dated March 27, 2025.

(2) Mr. Ren Ai has ceased to be a member of the Nomination Committee and Ms. Cheng Huanhuan has been appointed as a member of the Nomination Committee on March 27, 2025.

(3) Mr. Ye Changqing has ceased to be an independent non-executive director of VNET Group, Inc. (Stock Code: VNET. NASDAQ) in October 2024 and of NWTN Inc. (Stock Code: NWTN. NASDAQ) in December 2024, respectively.

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, 2024, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held[2]	Approximate percentage of shareholding in the Company[1]
Ms. Zhu	Founder of a discretionary trust[3]/Interest of concert parties[4]/Interest of spouse[5]	283,560,615 (L)	45.61%
TMF (Cayman) Ltd.	Trustee[3]/Interest of concert parties[4]	283,560,615 (L)	45.61%
FIL Limited	Interest in a controlled corporation	32,075,091 (L)	5.16%
Pandanus Associates Inc.	Interest in a controlled corporation	32,075,091 (L)	5.16%
Pandanus Partners L.P.	Interest in a controlled corporation	32,075,091 (L)	5.16%

Notes:

(1) As of December 31, 2024, the total number of issued Shares was 621,771,200.

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

(3) On September 30, 2024, Mr. Zhu and Ms. Zhu respectively established the Family Trusts. TMF (Cayman) Ltd. Acts as trustee of the Family Trusts and holds an aggregate of 279,736,818 Shares through Ewen Legacy Limited, Century River Holdings Limited, Ewen Eternity Limited, Amber Tree Holdings Limited and Red Palm Holdings Limited. Mr. Zhu is the settlor of Ewen Legacy Limited while Ms. Zhu is the settlor of Ewen Eternity Limited. Mr. Zhu and Ms. Zhu are the beneficiaries of the Family Trusts.

(4) Pursuant to the establishment of the Family Trusts, Mr. Zhu, Ms. Zhu and TMF (Cayman) Ltd. (as trustee of the Family Trusts) entered into a concert party confirmation on September 30, 2024 and 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 TMF (Cayman) Ltd., are all deemed to be interested in the total Shares directly and indirectly held by Ewen Legacy Limited, Century River Holdings Limited, Ewen Eternity Limited, Amber Tree Holdings Limited and Red Palm Holdings Limited.

(5) 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.

Save as disclosed above, as of December 31, 2024, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

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

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

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

PRE-IPO RESTRICTED SHARE SCHEME

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

For more details of the Pre-IPO Restricted Share Scheme, please refer to "D. Pre-IPO Share Incentive Plans — 1. Pre-IPO Restricted Share Scheme" of Appendix IV 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, 6,599,600 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 1.07% of the total number of issued Shares of the Company.

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

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

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

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

The number of Share Options available for grant under the Share Option Scheme was 10,657,000 shares and 10,657,000 shares as of January 1, 2024 and December 31, 2024, respectively. During the Reporting Period, the number of Shares underlying the Share Options that granted under the Share Options Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is nil.

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, 2024 *(Note 6)*	Granted during the Reporting Period	Vested as at December 31, 2024	Exercised during the Reporting Period	Exercise Period	Cancelled/lapsed/forfeited during the Reporting Period *(Note 4)*	Exercise price of cancelled/lapsed/forfeited during the Reporting Period	Outstanding as at December 31, 2024 *(Note 6)*	Vesting date *(Note 3)*
Directors or chief executive and their associate														
Mr. Zhu Yiwen	November 12, 2021	HK$66.80	HK$66.05	–	HK$6,740,146	224,000	–	56,000	–	10 years	–	–	168,000	*(Note 1)*
Ms. Cheng Huanhuan	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,925,756	64,000	–	16,000	–	10 years	–	–	48,000	*(Note 1)*
Mr. Ren Ai	November 12, 2021	HK$66.80	HK$66.05	–	HK$2,888,634	96,000	–	24,000	–	10 years	–	–	72,000	*(Note 1)*
Mr. Zhang Wenshan	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,444,317	48,000	–	12,000	–	10 years	–	–	36,000	*(Note 1)*
Ms. Jiang Hui	November 12, 2021	HK$66.80	HK$66.05	–	HK$1,444,317	48,000	–	12,000	–	10 years	–	–	36,000	*(Note 1)*
Sub-total						480,000	–	120,000	–	–	–	–	360,000	
Substantial shareholders and their associates								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	5,218,400	–	1,166,000	–	10 years	400,200	–	3,652,200	*(Note 2)*
Sub-total						5,218,400	–	1,166,000	–	–	400,200	–	3,652,200	
Other related entity participants								N/A						
Other service providers								N/A						
Total						5,698,400	–	1,286,000	–	–	400,200	–	4,012,200	

Directors' Report

Notes:

Note 1

As of December 31, 2024, the vesting dates of the Share Options granted to the Directors are as follows:

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

Note 2

As of December 31, 2024, the vesting dates of the Share Options granted to the employees are as follows:

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

Note 3

The vesting of the Share Options is conditional on the fulfillment of vesting conditions, including certain performance targets (including individual performance based on periodic performance assessment as well as annual performance of the Company), which are set out in the respective letter of offer of each grantee.

Note 4

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

Note 5

The fair value of Share Options at the date of grant has been prepared in accordance with all applicable IFRS and the disclosure requirements of Hong Kong Companies Ordinance Cap. 622. For details of the basis of calculation, please refer to Note 28 to the consolidated financial statements.

Note 6

The number of unvested Share Options, which will be vested to the grantees according to the vesting schedule, subject to fulfilment of the vesting conditions applicable to such grantees.

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

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

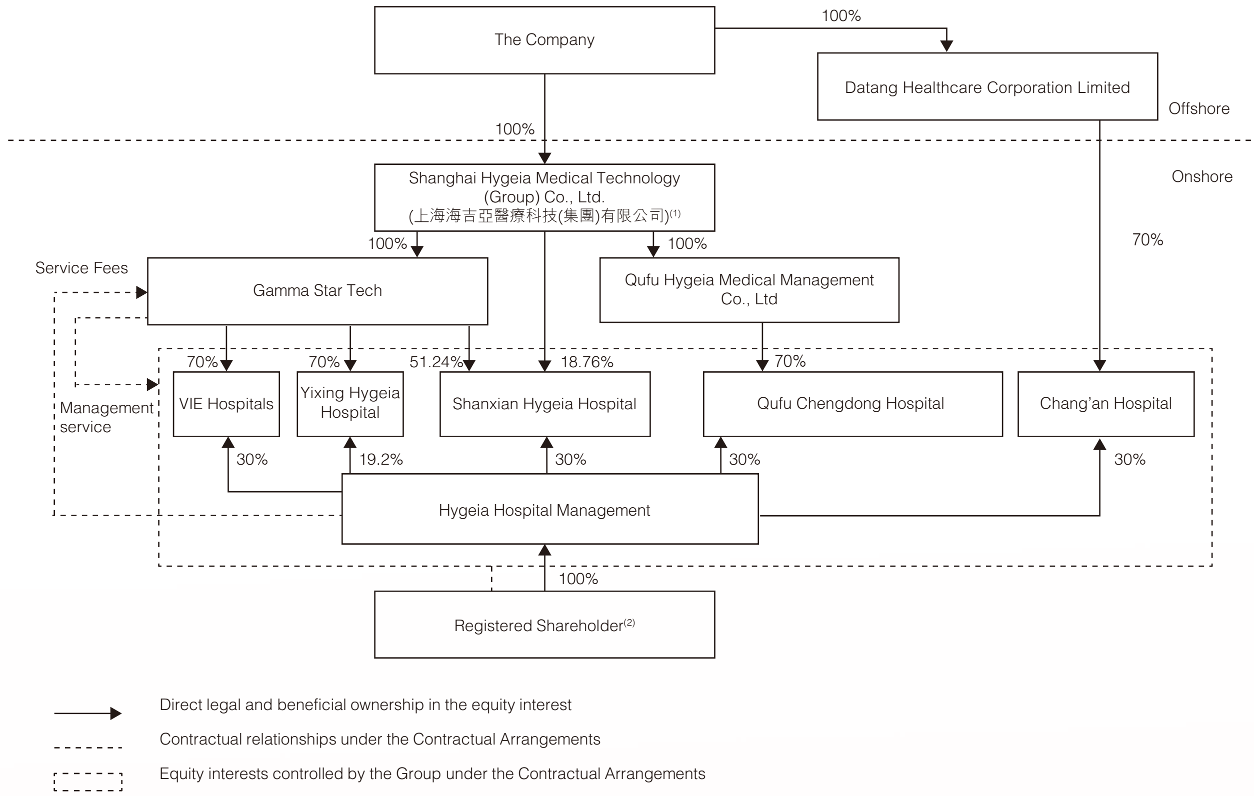
Contractual Arrangements

The Group primarily engages in the hospital business. 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[1]. Furthermore, the competent authorities for foreign investment administration where the Group operates its hospitals is of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70.00% equity interest in each of the Group's hospitals in the PRC (the "**Foreign Ownership Restriction**"). As such, the Group currently holds 70.00% equity interest in each of the VIE Hospitals. Hygeia Hospital Management, a company wholly-owned by Xiangshang Investment (the "**Registered Shareholder**") which is in turn owned by Mr. Zhu and Ms. Zhu, holds the remaining 30.00% equity interest in the VIE Hospitals (other than Yixing Hygeia Hospital in which it holds 19.2% equity interest).

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

1 On September 7, 2024, the Ministry of Commerce, the National Health Commission, and the National Medical Products Administration jointly issued the "Notice on Carrying Out Pilot Work for Expanding Opening Up in the Medical Field" (「關於在醫療領域開展擴大開放試點工作的通知」) (the "**Pilot Notice**"), which came into effect subsequently. According to the Pilot Notice, foreign investors are permitted to establish wholly foreign-owned hospitals in Beijing, Tianjin, Shanghai, Nanjing, Suzhou, Fuzhou, Guangzhou, Shenzhen, and the entire Hainan Island (excluding traditional Chinese medicine hospitals and public hospitals that have been acquired). Among the Group's VIE hospitals, only those in the Suzhou area are eligible for the Pilot Notice. As of the date of this annual report, the specific conditions, requirements, and procedures for establishing wholly foreign-owned hospitals in Suzhou have not yet been issued in the form of detailed implementation rules. Therefore, the Group is still unable to hold 100% of the equity in the hospitals in the Suzhou area.

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



Notes:

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

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

Summary of the Material Terms of the Contractual Arrangements

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

(1) Exclusive Operation Services Agreements

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

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

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

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

(2) Exclusive Option Agreements

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

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

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

(3) Entrustment Agreements and Powers of Attorney

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

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

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

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

(4) Equity Pledge Agreements

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

(5) Spousal Undertakings

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

Business Activities and Financial Contribution of the VIE Hospitals

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

	For the year ended December 31, 2024		As of December 31, 2024	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
VIE Hospitals	**3,424,457**	**77.0**	**5,759,950**	**52.7**

Governing Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The auditor of the Group has carried out certain procedures, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, under the requirements of Rule 14A.56 of the Listing Rules, on the transactions carried out pursuant to the Contractual Arrangements for the year ended December 31, 2024 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, 2024, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Hospitals under the Contractual Arrangements.

Hospital Management and Procurement Agreements

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

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Handan Renhe Hospital Management Agreement

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

Handan Renhe Procurement Agreements

Pursuant to (i) the medicine procurement agreement entered into by Qihai Medicine and Handan Renhe Hospital on November 30, 2023 (the "**Handan Renhe Medicine Procurement Agreement**"); and (ii) the medical consumables procurement agreement entered into by Jiangsu Medical and Handan Renhe Hospital on November 30, 2023 (the "**Handan Renhe Medical Consumables Procurement Agreement**", together with the Handan Renhe Medical Procurement Agreements, collectively, the "**Handan Renhe Procurement Agreements**"), each of Qihai Medicine and Jiangsu Medical agreed to supply, as required for the daily operation needs of Handan Renhe Hospital from time to time and within the scope of operation permit of Qihai Medicine and Jiangsu Medical, the medicine and the medical consumables, to Handan Renhe Hospital in accordance with the terms and conditions therein. For details, please refer to the announcements of the Company dated September 14, 2021, September 28, 2021 and November 30, 2023.

Reasons for the Transactions

Handan Renhe Hospital Management Agreement

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

Handan Renhe Procurement Agreements

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

Annual Caps and Historical Amounts during the Reporting Period

Handan Renhe Hospital Management Agreement

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

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

During the year ended December 31, 2024, the total amount of fees receivable by the Group under the Handan Renhe Hospital Management Agreement amounted to RMB2.7 million.

Handan Renhe Procurement Agreements

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

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

During the year ended December 31, 2024, (i) the total amount of fees in relation to the procurement of medicine paid by Handan Renhe Hospital to the Group under the Handan Renhe Medicine Procurement Agreement amounted to RMB5.7 million; and (ii) the total amount of fees in relation to the procurement of medical consumables paid by Handan Renhe Hospital to the Group under the Handan Renhe Medical Consumables Agreement amounted to RMB8.0 million.

Listing Rules Implications

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

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

Annual Review by the Directors and Auditors

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2024, 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 aforementioned connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

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, 2024. No new business opportunity was informed by them as of December 31, 2024.

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, 2024.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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 11,097,200 Shares on the Stock Exchange at an aggregate amount of approximately HK$183.8 million. The reason for repurchase is to demonstrate the Company's confidence in its own business outlook and prospects as the Company believes that the current trading price of the Shares does not reflect their intrinsic value or the actual prospects of the Company. As of the date of this report, all Shares repurchased during the Reporting Period had been cancelled by the Company.

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

Month of repurchases	Number of Shares repurchased on the Stock Exchange	Price paid per Share		Aggregate purchase price
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$ million)*
September 2024	6,009,800	19.38	14.60	98.14
October 2024	2,323,800	19.60	17.02	42.70
November 2024	1,252,000	17.00	15.64	20.43
December 2024	1,511,600	15.64	14.14	22.49

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including any sale of treasury Shares) during the Reporting Period. As at December 31, 2024, the Company did not hold any treasury Shares.

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 as disclosed in 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, 2024.

MANAGEMENT CONTRACTS

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

DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB0.4 million for the year ended December 31, 2024.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2024, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

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

The Company has maintained directors' liability insurance to protect the Directors 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, 2024.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2024. There was no change in auditor of the Company in the past three years.

By order of the Board

Mr. Zhu Yiwen
Chairman

Hong Kong, March 27, 2025

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix C1 "Corporate Governance Code" (the "**CG Code**") to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code for the year ended December 31, 2024, 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 the code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board is of the view that with support of the mature corporate structure of the Company with a strict operational system and a set of procedural rules for the Board meetings, the Chairman does not have any power different from that of other Directors in relation to the decision making process. Moreover, the Company has also implemented an integrated system and a structured procedure to daily operations of the Group which ensure the diligence and efficiency of the chief executive officer. As such, the Board believes that the management structure of the Company will ensure management efficiency and at the same time, protect the rights of all Shareholders to the greatest extent. The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

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

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

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

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

CORPORATE STRATEGIES, BUSINESS MODEL AND CULTURE

Corporate Culture and Values

Our vision

Making Healthcare Services More Accessible and Affordable and Making Life Healthier

Our values

To Be Honest, To Be Practical and To Be Credible

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, 2024, we operated or managed a network of sixteen oncology-focused hospitals, with these in-network hospitals spanning across thirteen cities in eight provinces in China.

Our Competitive Advantages

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended December 31, 2024. 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, 2024.

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)*
Mr. Ren Ai
Ms. Cheng Huanhuan
Mr. Zhang Wenshan
Ms. Jiang Hui

Independent Non-executive Directors

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

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

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

Independent Non-executive Directors and independence mechanism

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

For the year ended December 31, 2024, 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, 2024, 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 25 years of experience in the hospital management sector. Mr. Ye Changqing has over 30 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, repurchase of the Company's shares 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.

Ms. Cheng Huanhuan has stepped down from her role as the co-chief executive officer of the Company due to a redesignation of duties in the Group. Ms. Cheng Huanhuan remains as an executive Director and has been appointed as the secretary to the Board and a member of the Nomination Committee, while Mr. Ren Ai, an executive Director, has been appointed as the co-chief executive officer of the Company and has stepped down from his role as the secretary to the Board and a member of the Nomination Committee, both effective on March 27, 2025. For details, please refer to the announcement of the Company dated March 27, 2025.

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. Zhang Wenshan (an executive Director), Mr. Ye Changqing (an independent non-executive Director) and Mr. Zhao Chun (an independent non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-election at the AGM.

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

The Nomination Committee has considered that each of Mr. Zhang Wenshan (who joined the Group for more than 15 years), Mr. Ye Changqing (who has over 30 years of experience in professional accounting, financial advisory and investment services) and Mr. Zhao Chun (who has over 25 years of experience in the hospital management sector), are all in possession of rich experience and knowledge of the Group. The Nomination Committee is satisfied that each of Mr. Zhang Wenshan, Mr. Ye Changqing and Mr. Zhao Chun has performed their duties as Directors effectively. The Board is of the opinion that each of Mr. Zhang Wenshan, Mr. Ye Changqing and Mr. Zhao Chun 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. Zhang Wenshan, Mr. Ye Changqing and Mr. Zhao Chun to stand for re-election at the AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Remuneration of Directors and Senior Management

Remuneration Policy

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

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

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

Details of the remuneration of the members of the Board for the year ended December 31, 2024 are set out in Note 38 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, 2024 is set out below:

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

Continuous Professional Development of Directors

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

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

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

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

For the year ended December 31, 2024, all the current Directors have been provided with the relevant guideline materials regarding the Listing Rules, regulatory updates and duty of disclosure of interests.

Name of Directors	Law and Regulation Updates and Regulatory Dynamics
Executive Directors	
Mr. Zhu Yiwen *(Chairman)*	✓
Mr. Ren Ai	✓
Ms. Cheng Huanhuan	✓
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), Mr. Ren Ai, Ms. Cheng Huanhuan, Mr. Zhang Wenshan and Ms. Jiang Hui; and 3 were independent non-executive Directors, namely Mr. Liu Yanqun, Mr. Zhao Chun and Mr. Ye Changqing.

Name of Director	Gender	Age	Working Experience	Education Level	Other Accreditation
Zhu Yiwen (朱義文)	Male	62	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)
Ren Ai (任愛)	Male	40	Over 15 years of working experience, primarily responsible for supervising 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	

Name of Director	Gender	Age	Working Experience	Education Level	Other Accreditation
Cheng Huanhuan (程歡歡)	Female	41	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	
Zhang Wenshan (張文山)	Male	43	Over 20 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	49	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	68	– Over 40 years of experience in clinical practice and research – is a renowned medical expert in dermatology	– Graduated from universities – Obtained bachelor's degree in medicine – Obtained master's degree in dermatology	– Was accredited as a chief physician and a professor by the Human Resources and Social Security Department of Jiangsu (江蘇省人力資源和社會保障廳) – Obtained numerous honors and awards, including, among others, the Special Government Allowances (政府特殊津貼) awarded by the State Council in recognition of his contribution to the nation's medical and healthcare services, and the Second Price in Natural Science (自然科學獎二等獎) awarded by the Ministry of Education of the PRC for his clinical research in genetic therapy for malignant tumor

Name of Director	Gender	Age	Working Experience	Education Level	Other Accreditation
Zhao Chun (趙淳)	Male	72	Over 25 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	54	Over 30 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; 1 Director aged 40 or below, 3 Directors aged between 41 to 50, 1 Director aged between 51 to 60 and 3 Directors aged over 60. Among them, 2 have over 15 years, 3 have over 20 years, 2 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, 2024, the Group had a total of 8,169 full-time employees, including 2,431 male employees and 5,738 female employees, all located in Mainland China.

The following table shows the total number of employees of the Group by gender, age, employment type and position as of December 31, 2024.

Unit: Number of Employees	Age Group				
Gender	30 or below	31 to 40	41 to 50	51 or above	Total
Male	715	769	518	429	2,431
Female	2,557	2,241	675	265	5,738
Total	3,272	3,010	1,193	694	8,169

Position			
General Employees	Mid-level Management	Senior Management and Directors	Total
7,022	1,044	103	8,169

BOARD COMMITTEES

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

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

Audit Committee

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

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

The Audit Committee held 2 meetings and met the Company's external auditors during the year ended December 31, 2024.

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, 2023;
- Reviewed the draft interim report and accounts as well as the draft interim results announcement for the six months ended June 30, 2024;
- Discussed with the external auditors the nature and scope of the audit and reporting obligations;
- Considered the re-appointment of the external auditors;
- Reviewed the effectiveness of the risk management and internal control systems;
- Reviewed the continuing connected transactions of the Company; and
- Considered the terms of engagement of the external auditors, including their proposed fees.

Remuneration Committee

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

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

The Remuneration Committee held 2 meetings during the year ended December 31, 2024.

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

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

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

Nomination Committee

The Nomination Committee was established by the Board with specific written terms of reference. The terms of reference for the Nomination Committee is available on the Company's website and the website of the Stock Exchange. The Nomination Committee during the year and as of the date of this annual report consists of Mr. Ren Ai (ceased on March 27, 2025), Ms. Cheng Huanhuan (appointed on March 27, 2025), Mr. Liu Yanqun and Mr. Zhao Chun with Mr. Liu Yanqun acts as the chairman of the Nomination Committee.

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

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

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

The Nomination Committee held 2 meetings during the year ended December 31, 2024.

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

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

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision C.5.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. 4 Board meetings were held for the year ended December 31, 2024.

The attendance records of each Director at the Board and Board Committee meetings of the Company held during the year ended December 31, 2024 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)*	4/4	N/A	N/A	N/A
Mr. Ren Ai *(Note 1)*	4/4	N/A	2/2	2/2
Ms. Cheng Huanhuan *(Note 2)*	4/4	N/A	N/A	N/A
Mr. Zhang Wenshan	4/4	N/A	N/A	N/A
Ms. Jiang Hui	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Liu Yanqun	4/4	2/2	2/2	2/2
Mr. Ye Changqing	4/4	2/2	N/A	N/A
Mr. Zhao Chun	4/4	2/2	2/2	2/2

The annual general meeting of the Company was held on June 28, 2024 (the "**2024 AGM**").

The attendance records of each Director at the 2024 AGM held during the year ended December 31, 2024 is set out in the table below:

Name of Directors	**Attendance of the 2024 AGM**
Executive Directors	
Mr. Zhu Yiwen *(Chairman)*	✓
Mr. Ren Ai *(Note 1)*	✓
Ms. Cheng Huanhuan *(Note 2)*	✓
Mr. Zhang Wenshan	✓
Ms. Jiang Hui	✓
Independent Non-executive Directors	
Mr. Liu Yanqun	✓
Mr. Zhao Chun	✓
Mr. Ye Changqing	✓

Notes:

1. Mr. Ren Ai, an executive Director, has been appointed as the co-chief executive officer and has stepped down from his role as the secretary to the Board and a member of the Nomination Committee, both effective on March 27, 2025.

2. Ms. Cheng Huanhuan, an executive Director and the co-chief executive officer of the Company, has stepped down from her role as the co-chief executive officer due to a redesignation of duties in the Group. Ms. Cheng remains as an executive Director and has been appointed as the secretary to the Board and a member of the Nomination Committee, both effective on March 27, 2025.

During the year ended December 31, 2024, 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, 2024.

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 93 to 98 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, 2024, is set out below:

Type of Services	**Amount *(RMB'000)***
Audit services	2,980
Non-audit services	—
Total	**2,980**

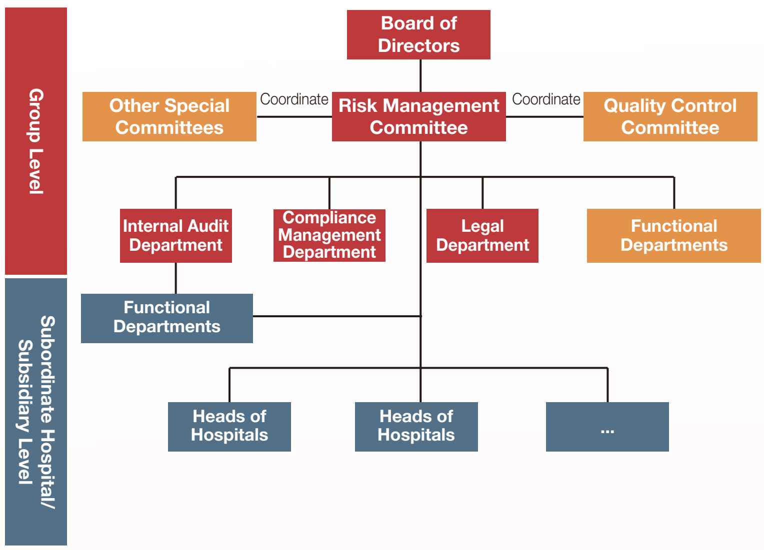
RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

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

Risk Management and Internal Control Framework

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



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

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

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

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

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

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

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

Anti-corruption

The Group resolutely eradicates all forms of corruption, and explicitly prohibits commercial bribery by formulating relevant internal policies. In November 2021, the National Health Commission, the National Healthcare Security Administration and the National Administration of Traditional Chinese Medicine issued the Notice on Issuing the Nine Principles for the Incorruptible Practice of Staff in Medical Institutions (《關於印發醫療機構工作人員廉潔從業九項準則的通知》). Through formulation of the internal code of conduct and organization of related training courses, the Group requires all employees to practice with integrity, and keep the nine principles in mind and put them into practice. For details, please refer to the 2024 Environmental, Social and Governance Report.

Review of Risk Management and Internal Control for 2024

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, 2024 and December 31, 2024. 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, 2024, 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 30 to 31 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 38 to 39 of this annual report. Please also refer to a separate report "2024 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, 2024, to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting, to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board concluded that these procedures did not identify any material internal control deficiencies of the Group. The Board considers that the risk management and internal control systems of the Group are effective and adequate.

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

JOINT COMPANY SECRETARIES

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

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

Mr. Lau Kwok Yin (劉國賢), aged 39, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, has over 15 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, 2024, 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, 2024, 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 2024 and was satisfied with the implementation and effectiveness of the Shareholders' communication policy of the Company.

DISSEMINATION OF CORPORATE COMMUNICATIONS

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

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

DIVIDEND POLICY

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

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

Enquiries to the Board

Shareholders and investors who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Unit 1605/1606, Building 1, Fuyuan Zhidi Square, 38 Yuanshen Road, Pudong New Area, Shanghai, the PRC (email address: IR@hygeia-group.com.cn).

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

CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2024, there was no change in the Company's Memorandum and Articles of Association.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Hygeia Healthcare Holding Co., Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 99 to 180, comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTER

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 MATTER (CONTINUED)

The key audit matter identified in our audit is related to goodwill impairment assessment as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to Note 4(a) and Note 14 to the consolidated financial statements. As at December 31, 2024, the balance of goodwill of the Group amounted to approximately RMB3,724,449,000, which accounted for approximately 34.08% of the total assets of the Group. Goodwill mainly arose from the Group's business combination activities. For the purposes of goodwill impairment assessment, management considered each of the acquired target companies or groups as a separate cash-generated-unit ("CGU") and goodwill has been allocated to each of the CGUs. Management is required to perform impairment assessment of the goodwill balance annually or whenever there is an indication that goodwill may be impaired.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested management's key controls in relation to the goodwill impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • Assessed the appropriateness of the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policies and our understanding of the Group's business. • Obtained management's assessment on goodwill impairment and engaged our internal specialist to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rate used by management. • Challenged and assessed the reasonableness of the key assumptions used in the value-in-use calculation. For the forecast growth rate of revenue and cost and operating expenses as percentage of revenue, we compared them with the relevant historical data and market data, where applicable; for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate and gross domestic product growth rate based on our independent research.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
To assess the impairment, management used value-in-use approach based on the discounted cash flow model to determine the recoverable amounts of the CGU which involve judgments and estimates that are subject to high degree of estimation uncertainty. The inherent risk in relation to goodwill impairment assessment is considered relatively higher due to the uncertainty of significant assumptions used, including forecast growth rate of revenue, cost and operating expenses as percentage of revenue, long-term growth rate and discount rate. Based on the result of assessment, management has concluded that no impairment provision was required as at 31 December 2024. We consider this area a key audit matter due to the significance of the goodwill balance and the involvement of significant judgments and estimates by management in preparation of the goodwill impairment assessment, which in turn led to higher degree of auditor's judgments and significant audit efforts in evaluating the audit evidence related to the goodwill impairment assessment.	• 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 sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount. • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. • Assessed the adequacy of the disclosures related to goodwill impairment assessment in the consolidated financial statements. We found that the significant judgments and estimates involved in the goodwill impairment assessment were properly supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Wong Fu Shing.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 27, 2025

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
	Notes	**2024 RMB'000**	2023 RMB'000
Revenue	5	**4,446,120**	4,076,680
Cost of revenue	8	**(3,116,647)**	(2,790,428)
Gross profit		**1,329,473**	1,286,252
Selling expenses	8	**(53,413)**	(50,567)
Administrative expenses	8	**(437,314)**	(412,183)
Impairment losses on financial assets		**(57,614)**	—
Other income	6	**48,862**	50,674
Other (losses)/gains — net	7	**(8,850)**	14,928
Operating profit		**821,144**	889,104
Finance income	10	**1,514**	10,153
Finance costs	10	**(71,842)**	(43,170)
Finance costs — net		**(70,328)**	(33,017)
Profit before income tax		**750,816**	856,087
Income tax expense	11	**(152,484)**	(171,139)
Profit and total comprehensive income for the year		**598,332**	684,948
Profit and total comprehensive income attributable to			
— Owners of the Company		**598,261**	682,928
— Non-controlling interests		**71**	2,020
Earnings per share (expressed in RMB per share)			
— Basic earnings per share (in RMB)	12	**0.95**	1.08
— Diluted earnings per share (in RMB)	12	**0.95**	1.08

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	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	5,079,050	4,630,468
Intangible assets	14	3,943,417	3,945,827
Prepayments for non-current assets	20	32,133	138,790
Deferred income tax assets	15	48,906	43,888
Total non-current assets		9,103,506	8,758,973
Current assets			
Inventories	16	215,833	207,942
Trade, other receivables and prepayments	20	933,417	979,396
Amounts due from related parties	33	23,552	20,255
Financial assets at fair value through profit or loss	18	282,522	206,151
Restricted cash	19	1,355	12,104
Cash and cash equivalents	19	369,070	549,742
Total current assets		1,825,749	1,975,590
Total assets		10,929,255	10,734,563
EQUITY			
Equity attributable to owners of the Company			
Share capital, share premium and treasury share	21	7,466,271	7,634,348
Other reserves	22	(2,810,146)	(2,805,189)
Retained earnings	23	1,996,519	1,404,037
		6,652,644	6,233,196
Non-controlling interests		21,760	21,678
Total equity		6,674,404	6,254,874

		As at December 31,	
	Notes	**2024** **RMB'000**	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**2,247,211**	2,318,992
Deferred income tax liabilities	*15*	**158,427**	168,409
Deferred revenue	*25*	**35,425**	36,084
Lease liabilities	*26*	**8,987**	2,437
Other non-current liabilities	*27*	**8,963**	9,620
Total non-current liabilities		**2,459,013**	2,535,542
Current liabilities			
Trade and other payables	*29*	**1,136,535**	1,410,054
Contract liabilities	*30*	**54,682**	54,258
Current income tax liabilities		**69,376**	76,677
Lease liabilities	*26*	**3,246**	793
Borrowings	*24*	**531,999**	402,365
Total current liabilities		**1,795,838**	1,944,147
Total liabilities		**4,254,851**	4,479,689
Total equity and liabilities		**10,929,255**	10,734,563

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

The consolidated financial statements on pages 99 to 180 were approved by the board of directors (the "Board") on March 27, 2025 and were signed on its behalf.

Zhu Yiwen
Director

Ren Ai
Director

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company							
		Share capital RMB'000 (Note 21)	Share premium RMB'000 (Note 21)	Treasury share RMB'000 (Note 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2024		43	7,634,305	–	(2,805,189)	1,404,037	6,233,196	21,678	6,254,874
Comprehensive income									
Profit for the year		–	–	–	–	598,261	598,261	71	598,332
Total comprehensive income for the year		–	–	–	–	598,261	598,261	71	598,332
Transactions with owners in their capacity as owners									
Capital injection from non-controlling interests		–	–	–	–	–	–	11	11
Share-based compensation	28	–	–	–	(10,736)	–	(10,736)	–	(10,736)
Transfer to statutory reserves	23	–	–	–	5,779	(5,779)	–	–	–
Repurchase of ordinary shares	21	–	–	(168,077)	–	–	(168,077)	–	(168,077)
Cancellation of shares	21	(1)	(149,682)	149,683	–	–	–	–	–
Total transactions with owners in their capacity as owners		(1)	(149,682)	(18,394)	(4,957)	(5,779)	(178,813)	11	(178,802)
Balance at December 31, 2024		42	7,484,623	(18,394)	(2,810,146)	1,996,519	6,652,644	21,760	6,674,404

	Notes	Attributable to owners of the Company						
		Share capital RMB'000 (Note 21)	Share premium RMB'000 (Note 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2023		42	7,047,045	(2,851,903)	738,573	4,933,757	6,306	4,940,063
Comprehensive income								
Profit for the year		–	–	–	682,928	682,928	2,020	684,948
Total comprehensive income for the year		–	–	–	682,928	682,928	2,020	684,948
Transactions with owners in their capacity as owners								
Issue of shares upon placing	21	1	681,739	–	–	681,740	–	681,740
Share-based compensation	28	–	–	29,250	–	29,250	–	29,250
Dividends	21	–	(94,479)	–	–	(94,479)	–	(94,479)
Transfer to statutory reserves	23	–	–	17,464	(17,464)	–	–	–
Non-controlling interests arising from business combination		–	–	–	–	–	13,352	13,352
Total transactions with owners in their capacity as owners		1	587,260	46,714	(17,464)	616,511	13,352	629,863
Balance at December 31, 2023		43	7,634,305	(2,805,189)	1,404,037	6,233,196	21,678	6,254,874

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, 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**880,403**	926,439
Interest received		**1,514**	10,153
Income tax paid		**(174,785)**	(153,752)
Net cash generated from operating activities		**707,132**	782,840
Cash flows from investing activities			
Purchases of property, plant and equipment		**(597,582)**	(925,678)
Proceeds from disposal of property, plant and equipment	*32(b)*	**9,437**	15,234
Purchases of intangible assets		**(17,531)**	(15,140)
Payments for acquisition of subsidiaries, net of cash acquired	*29(b)*	**(10,314)**	(1,766,143)
Payments for purchases of financial assets at fair value through profit or loss	*3.3*	**(1,300,000)**	(1,599,131)
Proceeds from disposal of financial assets at fair value through profit or loss	*3.3*	**1,234,147**	1,439,488
Decrease/(increase) in restricted cash	*19*	**10,749**	(12,104)
Net cash used in investing activities		**(671,094)**	(2,863,474)
Cash flows from financing activities			
Proceeds from issue of shares upon placing	*21*	**—**	681,740
Borrowing interest paid		**(98,312)**	(79,850)
Repayments of bank borrowings	*32(c)*	**(544,719)**	(1,288,281)
Proceeds from bank borrowings	*32(c)*	**598,177**	2,559,308
Payments of lease liabilities, including interest	*32(c)*	**(3,639)**	(3,182)
Payments for repurchase of ordinary shares		**(168,077)**	—
Dividends paid to the Company's shareholders		**—**	(94,479)
Capital injection from non-controlling interests		**11**	—
Net cash (used)/generated from financing activities		**(216,559)**	1,775,256
Net decrease in cash and cash equivalents		**(180,521)**	(305,378)
Effect on exchange rate difference		**(151)**	1,352
Cash and cash equivalents at beginning of the year		**549,742**	853,768
Cash and cash equivalents at end of the year	*19*	**369,070**	549,742

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 providing healthcare services through wholly owned, private, for-profit hospitals that are variable interest entities owned by the Group in the People's Republic of China (the "PRC").

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

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

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

2 BASIS OF PREPARATION

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

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

(ii) Historical cost convention

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

2 BASIS OF PREPARATION (CONTINUED)

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

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease Liability in Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024

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

(iv) New and amended standards and interpretations not yet adopted

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of financial assets and financial liabilities is denominated in RMB.

The Group had minimal transactions denominated in foreign currencies during the years ended 31 December 2024 and 2023 and the impact of foreign currency risk on the Group's operation is minimal.

(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 does not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

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

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

	As at December 31, 2024		As at December 31, 2023	
	RMB'000	% of total borrowings	RMB'000	% of total borrowings
Floating-rate bank borrowings	2,317,825	83%	1,492,639	55%
Fixed-rate bank borrowings				
— repricing or maturity dates:				
— Within 1 year	326,000	12%	270,403	10%
— Between 1 and 2 years	135,385	5%	88,867	3%
— Between 2 and 5 years*(a)*	–	–	636,206	23%
— Over 5 years*(a)*	–	–	233,242	9%
	2,779,210	100%	2,721,357	100%

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)

(a) During the year ended December 31,2024, the group has signed supplementary agreements with certain banks to convert the fixed interest rate under the original contract to a floating interest rate.

(b) For the year ended December 31, 2024, if the floating interest rates on borrowings had been higher/lower by 50 basis points with all other variables held constant, the pre-tax profit would have been approximately RMB11,589,000 lower/higher (2023: approximately RMB7,463,000 lower/higher), mainly as a result of higher/lower interest expenses on floating-rate borrowings.

(iii) Price risk

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

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, financial assets at FVPL, trade and other receivables and amounts due from related parties. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management and security

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Risk management and security (Continued)

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.

(ii) Impairment of financial asset

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been assessed for impairment both on an individual basis and on a collective group basis based on different credit risk characteristics.

For receivables with unique credit risk characteristics, the Group has assessed that the expected credit losses on an individual basis. For the year ended December 31, 2024, the Group has made expected credit losses of RMB43,056,000 against these receivables (Nil for the year ended December 31, 2023), which were written off at year end date. For other trade receivables, the Group has performed an impairment analysis at each year end date using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on past due of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experience and reasonable and supportable information that is available at the year end date about past events, current conditions and forecasts of future economic conditions.

Financial assets are written off 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. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Impairment of financial asset (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2024:

	As at December 31, 2024		
	Average expected credit loss rate %	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Not past due	–	608,508	–
Past due less than 1 year	2.6%	148,788	3,851
Past due 1 and 2 years	9.4%	70,795	6,620
Past due 2 and 3 years	37.0%	8,517	3,148
Past due more than 3 years	100.0%	939	939
		837,547	14,558

As of December 31, 2023, the directors of the Company considered that the expected credit loss of trade receivables is immaterial.

Movements in the loss allowance in respect of trade receivables during the year are as follows:

	As at December 31	
	2024 *RMB'000*	2023 *RMB'000*
Opening loss allowance as at 1 January	–	–
Impairment loss recognised during the year	57,614	–
Amounts written off during the year as uncollectible	(43,056)	–
Closing loss allowance as at 31 December	14,558	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

Other receivables and amount due from related parties

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

Other receivables and amount due from related parties (Continued)

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

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

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

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

As at December 31, 2024 and 2023, the directors of the Company considered that other receivables and due from related parties were performing and within stage 1. The Group considered the 12-month expected credit losses of other receivables and due from related parties are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. As at December 31, 2024, the Group held committed bank facilities of approximately RMB862,013,031 (not yet utilised) which, if necessary, can readily generate cash inflows for managing the Group's liquidity risk. Due to the dynamic nature of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain flexibility in funding by maintaining the availability of committed credit facilities.

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

	Less than 1 year 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, 2024						
Trade and other payables excluding non-financial liabilities	818,308	–	–	–	818,308	818,308
Lease liabilities	3,870	3,411	6,452	–	13,733	12,233
Borrowings	619,217	537,609	1,632,588	249,488	3,038,902	2,779,210
Total	1,441,395	541,020	1,639,040	249,488	3,870,943	3,609,751
As at December 31, 2023						
Trade and other payables excluding non-financial liabilities	997,306	–	–	–	997,306	997,306
Lease liabilities	971	941	1,752	–	3,664	3,230
Borrowings	449,310	299,558	1,908,686	247,736	2,905,290	2,721,357
Total	1,447,587	300,499	1,910,438	247,736	3,906,260	3,721,893

3.2 Capital management

(a) Risk management

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

(a) Risk management (Continued)

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Net Debt	**2,421,018**	2,162,741
Total equity	**6,674,404**	6,254,874
Gearing ratio	**36%**	35%

(b) Loan covenants

Under the terms of the Group's major bank loans, which have a total carrying amount of approximately RMB1,733,292,000 (December 31, 2023: approximately RMB1,752,008,000), the Group or specific subsidiaries are required to comply with the certain financial covenants at the end of each annual reporting year. The Group has complied with the financial covenants of its borrowings during the year ended December 31, 2024 and 2023.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

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

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

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

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

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

There were no changes in valuation techniques during the years ended December 31, 2024 and 2023.

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, 2024 and 2023.

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

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

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

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Balance at beginning of the year	**206,151**	30,946
Additions	**1,300,000**	1,599,131
Changes in fair value	**10,518**	15,562
Disposals	**(1,234,147)**	(1,439,488)
Balance at end of the year	**282,522**	206,151

The unobservable inputs of wealth management products and structured deposit products are expected return rates and discounted rates. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rates of the investments in wealth management products and structured deposit products with floating rate range from 1.94% to 3.50% for the year ended December 31, 2024 (2023: from 1.7% to 2.8%). If the fair value of financial assets at FVPL held by the Group had been 1% higher/lower, the pre-tax profit for the year ended December 31, 2024 would have been approximately increased/decreased RMB2,825,000 (December 31, 2023: approximately RMB2,062,000).

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Impairment assessment of goodwill

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

(b) Share-based compensation expenses

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

(c) Estimation of variable consideration for revenue from customers

The Group includes variable considerations in the transaction price for revenue generated from customers, based on estimated final payments from the relevant public medical insurance program, for medical fees in healthcare services. These estimates are derived from the Group's historical experience with its customers. Any significant deviations from historical payment trends may influence the Group's projections of expected payments. The Group continuously reviews its expectations regarding these payments and makes adjustments to the corresponding revenue as necessary.

(d) Loss allowance for expected credit losses

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

- Hospital Business; and
- Other Business.

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

The following items are not allocated to individual operating segments:

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

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	Year ended December 31, 2024			
	Hospital Business *RMB'000*	Other Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	4,322,569	123,551	–	4,446,120
Cost of revenue	(3,044,198)	(72,449)	–	(3,116,647)
Gross profit	1,278,371	51,102	–	1,329,473
Selling expenses	(53,413)	–	–	(53,413)
Administrative expenses	(374,474)	(13,281)	(49,559)	(437,314)
Impairment losses on financial assets	(55,022)	(2,592)	–	(57,614)
Other income	44,831	4,031	–	48,862
Other (losses)/gains — net	(5,265)	(3,802)	217	(8,850)
Segment profit	835,028	35,458	(49,342)	821,144
Finance income				1,514
Finance costs				(71,842)
Finance costs — net				(70,328)
Profit before income tax				750,816
As at December 31, 2024				
Assets				
Segment assets	10,151,541	173,190	555,618	10,880,349
Deferred income tax assets				48,906
Total assets				10,929,255
Liabilities				
Segment liabilities	3,837,317	37,435	221,672	4,096,424
Deferred income tax liabilities				158,427
Total liabilities				4,254,851
Other segment information				
Depreciation of property, plant, and equipment	259,807	12,727	2,650	275,184
Amortisation of intangible assets	17,860	698	1,383	19,941
Additions of non-current assets except for deferred income tax assets	628,461	9,340	16,994	654,795

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business line and nature:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Hospital Business		
— Outpatient services	**1,632,993**	1,351,356
— Inpatient services	**2,689,576**	2,538,937
Other Business	**123,551**	186,387
Total revenue	**4,446,120**	4,076,680
Including revenue from contracts with customers	**4,421,645**	4,038,705

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

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
— Inpatient services	**208,737**	180,605
— Other Business	**65,399**	77,556
Over time	**274,136**	258,161
— Inpatient services	**2,480,839**	2,358,332
— Outpatient services	**1,632,993**	1,351,356
— Other Business	**33,677**	70,856
At a point in time	**4,147,509**	3,780,544
Revenue from contracts with customers	**4,421,645**	4,038,705

(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 ended December 31, 2024 and 2023.

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(e) Accounting policies for revenue recognition

The Group operates two types of business, namely:

- Hospital Business; and
- Other Business.

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

Hospital Business:

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

(i) Outpatient services

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(e) Accounting policies for revenue recognition (Continued)

Hospital Business: (Continued)

(ii) Inpatient services

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

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

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

Other Business:

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

(i) Radiotherapy center service

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

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

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(e) Accounting policies for revenue recognition (Continued)

Other Business: (Continued)

(ii) Radiotherapy equipment leases

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

(iii) Radiotherapy equipment sales

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

(iv) Radiotherapy equipment disposal service

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

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

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

(vi) Hospital management services

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

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

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

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

6 OTHER INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Government grants *(i)*	**35,394**	42,917
Others	**13,468**	7,757
	48,862	50,674

(i) Government grants

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

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

7 OTHER (LOSSES)/GAINS — NET

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Realised and unrealised gains on financial assets at FVPL	**10,518**	15,562
Net foreign exchange (losses)/gains	**(1,401)**	11,095
Losses on disposal of property, plant and equipment, and intangible assets	**(6,514)**	(4,829)
Others	**(11,453)**	(6,900)
	(8,850)	14,928

8 EXPENSES BY NATURE

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 9)*	**1,456,058**	1,335,866
Cost of pharmaceutical, medical consumables and other inventories	**1,401,414**	1,241,409
Depreciation and amortisation	**295,125**	210,542
Utilities, cleaning and other logistical expenses	**115,204**	92,952
Consultancy and professional service fees	**77,774**	109,479
Radiotherapy service fees	**73,475**	81,523
Travelling, entertainment, vehicle and office expenses	**57,286**	51,834
Taxation expenses	**41,423**	30,038
Repair and maintenance expenses	**24,367**	19,377
Marketing and promotion expenses	**18,354**	18,576
Auditor's remuneration		
— Audit services	**2,980**	3,600
Rental expenses *(Note 26)*	**1,831**	1,872
Other expenses	**42,083**	56,110
	3,607,374	3,253,178

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**1,295,112**	1,156,664
Employer's contribution to retirement benefit plan *(i)*	**88,047**	76,328
Allowances and benefits in kind	**83,635**	73,624
Share-based compensation expenses	**(10,736)**	29,250
	1,456,058	1,335,866

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

(i) The Group has participated in:

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

A subsidiary of the Group operates a supplementary defined contribution retirement benefit plan (the "Corporate Pension Plan"). Under the Corporate Pension Plan, the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contribution was utilised during the year ended December 31, 2024 (December 31, 2023: no forfeiture) and leaving RMB104,000 available at December 31, 2024 to reduce future contribution. As at December 31, 2024, no contribution was payable to the Corporate Pension Plan (December 31, 2023: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2024 include three (December 31, 2023: three) directors whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments payable to the remaining two (December 31, 2023: two) individuals during the year are as follows:

	Year ended December 31,	
	2024 **RMB'000**	2023 RMB'000
Salaries and wages	**1,811**	2,111
Bonuses	**2,001**	1,598
Employer's contribution to retirement benefit plan	**—**	68
Allowances and benefits in kind	**—**	95
Share-based compensation expenses	**—**	731
	3,812	4,603

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,	
	2024	2023
HKD		
1,500,001–2,000,000	**1**	—
2,000,001–2,500,000	**1**	1
2,500,001–3,000,000	**—**	1
	2	2

During the years ended December 31, 2024 and 2023, 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,	
	2024	2023
	RMB'000	*RMB'000*
Finance income		
Interest income of bank savings	**1,514**	10,153
Finance costs		
Interest expense on borrowings	**(97,797)**	(74,348)
Interest expense on lease liabilities	**(653)**	(238)
	(98,450)	(74,586)
Amount capitalised *(i)*	**26,608**	31,416
Finance costs expensed	**(71,842)**	(43,170)
Finance costs — net	**(70,328)**	(33,017)

(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 3.52% (2023: 4.20%).

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**167,484**	158,951
Deferred income tax *(Note 15)*	**(15,000)**	12,188
	152,484	171,139

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

The Company's subsidiaries, Chongqing Hygeia Hospital Co., Ltd. ("Chongqing Hygeia Hospital"), Hezhou Guangji Hospital, Kaiyuan Jiehua Hospital Co., Ltd, Qihai (Chongqing) Pharmaceutical Co., Ltd. and Chang'an Hospital Co., Ltd. ("Chang'an Hospital") were established in the western region of the PRC. Pursuant to the relevant laws and regulations, entities located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the concession rate of 15% if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The construction and service of general medical facilities business of the above entities comply with the policies and such entities are subject to a tax concession rate of 15% for the years ended December 31, 2024 and 2023.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

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

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("Gamma Star Tech"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years, renewed on November 15, 2023). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% for the years ended December 31, 2024 and 2023. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech will qualify as a "High and New Technology Enterprise" after the expire date and thus will further be subjected to a 15% preferential tax rate.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at December 31, 2024, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB2,494,271,000 (December 31, 2023: approximately RMB1,767,972,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

(b) Numerical reconciliation of income tax expense

	Year ended December 31,	
	2024 **RMB'000**	2023 RMB'000
Profit before income tax	**750,816**	856,087
Tax calculated at applicable statutory tax rate of 25%	**187,704**	214,022
Effect of different tax rates	**(50,664)**	(50,817)
Items not deductible for tax purposes	**10,130**	9,749
Tax effect of unrecognised tax losses	**7,083**	—
Additional deduction on research and development expenses	**(1,769)**	(1,815)
	152,484	171,139

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, 2024 and 2023.

	Year ended December 31,	
	2024	2023
Profit attributable to owners of the Company (RMB'000)	**598,261**	682,928
Weighted average number of shares in issue	**628,987,320**	631,118,721
Basic earnings per share (in RMB)	**0.95**	1.08

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In November 2021, the Company granted share options to employees (Note 28). For the years ended December 31, 2024 and 2023, the outstanding share options issued under the Company's share option scheme are dilutive potential ordinary shares. During the year ended December 31, 2024 and 2023, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the years ended December 31, 2024 and 2023 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, 2023									
Cost	1,363,036	15,170	612,373	852,145	16,461	87,927	44,154	499,977	3,491,243
Accumulated depreciation	(108,501)	(9,009)	(48,868)	(259,211)	(9,205)	(42,878)	(14,668)	–	(492,340)
Closing net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
Year ended December 31, 2023									
Opening net book amount	1,254,535	6,161	563,505	592,934	7,256	45,049	29,486	499,977	2,998,903
Additions	–	318	110,698	188,302	2,115	22,791	18,750	639,116	982,090
Acquisition of subsidiaries	522,809	–	110,174	185,613	600	5,391	20,183	23,032	867,802
Transfers upon completion	441,875	–	–	36,856	–	–	4,725	(483,456)	–
Disposals	(624)	–	–	(19,317)	–	(122)	–	–	(20,063)
Depreciation	(40,805)	(2,727)	(16,573)	(106,408)	(2,906)	(17,265)	(11,580)	–	(198,264)
Closing net book amount	2,177,790	3,752	767,804	877,980	7,065	55,844	61,564	678,669	4,630,468
At December 31, 2023									
Cost	2,326,991	15,488	833,245	1,215,548	19,176	114,660	87,812	678,669	5,291,589
Accumulated depreciation	(149,201)	(11,736)	(65,441)	(337,568)	(12,111)	(58,816)	(26,248)	–	(661,121)
Closing net book amount	2,177,790	3,752	767,804	877,980	7,065	55,844	61,564	678,669	4,630,468
Year ended December 31, 2024									
Opening net book amount	**2,177,790**	**3,752**	**767,804**	**877,980**	**7,065**	**55,844**	**61,564**	**678,669**	**4,630,468**
Additions	**74,627**	**11,989**	**1,543**	**167,431**	**1,553**	**25,421**	**31,500**	**429,859**	**743,923**
Transfers upon completion	**600,674**	**–**	**–**	**45,607**	**–**	**–**	**5,276**	**(651,557)**	**–**
Disposals	**(701)**	**–**	**–**	**(12,644)**	**(35)**	**(2,571)**	**–**	**–**	**(15,951)**
Depreciation	**(66,569)**	**(3,055)**	**(18,973)**	**(144,698)**	**(2,692)**	**(17,105)**	**(26,298)**	**–**	**(279,390)**
Closing net book amount	**2,785,821**	**12,686**	**750,374**	**933,676**	**5,891**	**61,589**	**72,042**	**456,971**	**5,079,050**
At December 31, 2024									
Cost	**3,001,419**	**27,477**	**834,788**	**1,397,333**	**17,983**	**135,155**	**124,588**	**456,971**	**5,995,714**
Accumulated depreciation	**(215,598)**	**(14,791)**	**(84,414)**	**(463,657)**	**(12,092)**	**(73,566)**	**(52,546)**	**–**	**(916,664)**
Closing net book amount	**2,785,821**	**12,686**	**750,374**	**933,676**	**5,891**	**61,589**	**72,042**	**456,971**	**5,079,050**

The Group's bank borrowings as at December 31, 2024 of approximately RMB909,029,000 (December 31, 2023: approximately RMB785,748,000) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of approximately RMB988,282,000 (2023: approximately RMB751,882,000).

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

See Note 40.3 for the other accounting policies relevant to property, plant and equipment.

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

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Cost of revenue	**189,786**	135,576
Administrative expenses	**85,398**	58,509
Capitalisation	**4,206**	4,179
	279,390	198,264

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, 2023:					
Cost	2,235,276	40,673	27,920	115,899	2,419,768
Accumulated amortisation	–	(15,904)	(8,027)	(11,987)	(35,918)
Net book amount	2,235,276	24,769	19,893	103,912	2,383,850
Year ended December 31, 2023:					
Opening net book amount	2,235,276	24,769	19,893	103,912	2,383,850
Additions	–	15,140	–	–	15,140
Acquisition of subsidiaries	1,489,173	6,622	–	67,499	1,563,294
Amortisation	–	(10,685)	(698)	(5,074)	(16,457)
Net book amount	3,724,449	35,846	19,195	166,337	3,945,827
At December 31, 2023:					
Cost	3,724,449	62,435	27,920	183,398	3,998,202
Accumulated amortisation	–	(26,589)	(8,725)	(17,061)	(52,375)
Net book amount	3,724,449	35,846	19,195	166,337	3,945,827
Year ended December 31, 2024:					
Opening net book amount	**3,724,449**	**35,846**	**19,195**	**166,337**	**3,945,827**
Additions	**–**	**17,531**	**–**	**–**	**17,531**
Amortisation	**–**	**(12,737)**	**(698)**	**(6,506)**	**(19,941)**
Net book amount	**3,724,449**	**40,640**	**18,497**	**159,831**	**3,943,417**
At December 31, 2024:					
Cost	**3,724,449**	**79,966**	**27,920**	**183,398**	**4,015,733**
Accumulated amortisation	**–**	**(39,326)**	**(9,423)**	**(23,567)**	**(72,316)**
Net book amount	**3,724,449**	**40,640**	**18,497**	**159,831**	**3,943,417**

14 INTANGIBLE ASSETS (CONTINUED)

(a) Accounting policy for goodwill and impairments

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

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

(b) Impairment test for goodwill

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Etern Group Ltd. ("Etern Group")	**1,449,056**	1,449,056
Datang Healthcare Corporation Limited ("Datang HK") and Chang'an Hospital	**1,280,469**	1,280,469
Hezhou Guangji Hospital	**485,882**	485,882
Longyan Boai Hospital Co., Ltd. ("Longyan Boai Hospital")	**186,019**	186,019
Yixing Hygeia Hospital Co., Ltd. ("Yixing Hygeia Hospital")	**157,857**	157,857
Suzhou Canglang Hospital Co., Ltd. ("Suzhou Canglang Hospital")	**104,607**	104,607
Others	**60,559**	60,559
Total	**3,724,449**	3,724,449

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)

(b) Impairment test for goodwill (Continued)

For Etern Group, Datang HK and Chang'an Hospital, Hezhou Guangji Hospital, Longyan Boai Hospital, Yixing Hygeia Hospital, and Suzhou Canglang Hospital with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at December 31, 2024 and 2023 are as follows:

Etern Group

	As at December 31,	
	2024	2023
Forecast growth rate of revenue	**4%-10%**	5%-16%
Cost and operating expenses as percentage of revenue	**77%**	74%
Long-term growth rate	**2.5%**	2.5%
Pre-tax discount rate	**17.80%**	19.93%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**46,794**	301,047

Datang HK and Chang'an Hospital

	As at December 31,	
	2024	2023
Forecast growth rate of revenue	**4%-10%**	5%-16%
Cost and operating expenses as percentage of revenue	**73%**	79%
Long-term growth rate	**2.5%**	2.5%
Pre-tax discount rate	**17.26%**	18.21%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**427,649**	430,267

Hezhou Guangji Hospital

	As at December 31,	
	2024	2023
Forecast growth rate of revenue	**3%-7%**	3%-10%
Cost and operating expenses as percentage of revenue	**74%**	74%
Long-term growth rate	**2.5%**	2.5%
Pre-tax discount rate	**16.66%**	17.94%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**162,502**	186,009

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for goodwill (Continued)

Longyan Boai Hospital

	As at December 31,	
	2024	2023
Forecast growth rate of revenue	**2.5%-6%**	3%-8%
Cost and operating expenses as percentage of revenue	**77%**	77%
Long-term growth rate	**2.5%**	2.5%
Pre-tax discount rate	**19.43%**	20.93%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**154,524**	134,735

Yixing Hygeia Hospital

	As at December 31,	
	2024	2023
Forecast growth rate of revenue	**5%-15%**	5%-20%
Cost and operating expenses as percentage of revenue	**74%**	81%
Long-term growth rate	**2.5%**	2.5%
Pre-tax discount rate	**17.59%**	19.40%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**147,763**	128,410

Suzhou Canglang Hospital

	As at December 31,	
	2024	2023
Forecast growth rate of revenue	**3%-5%**	3%-5%
Cost and operating expenses as percentage of revenue	**78%**	78%
Long-term growth rate	**2.5%**	2.5%
Pre-tax discount rate	**19.31%**	20.78%
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	**513,311**	531,426

14 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for goodwill (Continued)

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

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

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

Based on management's assessment on the recoverable amounts of the subsidiaries or group acquired, no impairment provision was considered necessary as at December 31, 2024.

As at December 31, 2024, analysis has been performed by the management of the Group on the reasonably possible changes in each of the following key assumptions, with all other variables held constant, of goodwill impairment tests of the CGUs above:

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

Based on the results of the analysis, reasonably possible changes in the above key assumptions would not cause the above CGUs' (exclude Etern Group's) carrying amount to exceed their recoverable amount as at December 31, 2024.

For Etern Group, had the estimated key assumptions during the forecast period been changed as below, recoverable amount of the CGU less its carrying amount of the Etern Group would have been decreased to zero.

If the forecast growth rate of revenue during the projection period used in the calculation for the CGU had been 0.5% lower than management's estimates as at December 31, 2024, the Group would have had to recognise an impairment against the carrying amount of goodwill.

If the cost and operating expenses as percentage of revenue used in the calculation for the CGU had been 0.6% higher than management's estimates as at December 31, 2024, the Group would have had to recognise an impairment against the carrying amount of goodwill.

If the pre-tax discount rate used in the calculation for the CGU had been 0.4% higher than management's estimates as at December 31, 2024, the Group would have had to recognise an impairment against the carrying amount of goodwill.

14 INTANGIBLE ASSETS (CONTINUED)

(c) Amortisation

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

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

See Note 40.4 for the other accounting policies relevant to intangible assets.

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

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Cost of revenue	**7,204**	5,772
Administrative expenses	**12,737**	10,685
	19,941	16,457

15 DEFERRED INCOME TAX

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Deferred tax assets		
— to be realised within 12 months	**17,009**	24,428
— to be realised after more than 12 months	**50,076**	49,136
	67,085	73,564
Deferred tax liabilities		
— to be realised within 12 months	**14,095**	13,058
— to be realised after more than 12 months	**162,511**	185,027
	176,606	198,085

15 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at December 31, 2024 RMB'000	2023 RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	25,666	53,643
Provisions	29,543	6,221
Unrealised profits of intra-group transaction	11,876	13,700
Total deferred tax assets	67,085	73,564
Set-off of deferred tax liabilities pursuant to set-off provisions	(18,179)	(29,676)
Net deferred tax assets	48,906	43,888

	Tax losses RMB'000	Provisions RMB'000	Unrealised profits of intra-group transaction RMB'000	Total RMB'000
As at January 1, 2023	38,586	8,379	14,110	61,075
Acquisition of subsidiaries	1,892	1,215	—	3,107
Credit/(charged) to profit or loss	13,165	(3,373)	(410)	9,382
As at December 31, 2023	53,643	6,221	13,700	73,564
As at January 1, 2024	53,643	6,221	13,700	73,564
Credit/(charged) to profit or loss	(27,977)	23,322	(1,824)	(6,479)
As at December 31, 2024	25,666	29,543	11,876	67,085

15 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Intangible assets	**33,303**	34,643
Property, plant and equipment	**143,303**	163,442
Total deferred tax liabilities	**176,606**	198,085
Set-off of deferred tax assets pursuant to set-off provisions	**(18,179)**	(29,676)
Net deferred tax liabilities	**158,427**	168,409

Movements	Property, plant and equipment	Intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	134,200	22,683	156,883
Acquisition of subsidiaries	6,567	13,065	19,632
Charged/(credit) to profit or loss	22,675	(1,105)	21,570
At December 31, 2023	163,442	34,643	198,085
At January 1, 2024	**163,442**	**34,643**	**198,085**
Charged/(credit) to profit or loss	**(20,139)**	**(1,340)**	**(21,479)**
At December 31, 2024	**143,303**	**33,303**	**176,606**

16 INVENTORIES

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Pharmaceuticals	**141,622**	144,030
Medical consumables	**60,538**	51,661
Spare parts	**13,673**	12,251
	215,833	207,942

For the year ended December 31, 2024, the cost of inventories recognised as expense and included in "Cost of revenue" amounted to approximately RMB1,401,414,000 (2023: approximately RMB1,241,409,000).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents *(Note 19)*	**369,070**	549,742
Restricted cash *(Note 19)*	**1,355**	12,104
Amounts due from related parties *(Note 33)*	**23,552**	20,255
Trade and other receivables excluding non-financial assets	**872,287**	907,862
	1,266,264	1,489,963
Financial assets at fair value through profit or loss *(Note 18)*	**282,522**	206,151
	1,548,786	1,696,114
Financial liabilities		
Liabilities at amortised cost:		
Borrowings *(Note 24)*	**2,779,210**	2,721,357
Trade and other payables excluding non-financial liabilities	**818,308**	997,306
Lease liabilities *(Note 26)*	**12,233**	3,230
	3,609,751	3,721,893

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Wealth management products	**282,522**	106,127
Structured deposit products	**—**	100,024
	282,522	206,151

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

The structured deposit products and wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 1.9% to 3.5% per annum for the year ended December 31, 2024 (2023: from 1.7% to 2.8%).

19 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Cash at bank and on hand	**370,425**	561,846
Less: restricted cash *(i)*	**(1,355)**	(12,104)
Cash and cash equivalents	**369,070**	549,742

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

Cash and cash equivalents were denominated in the following currencies:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
RMB	**366,489**	548,583
USD	**617**	948
HKD	**1,964**	211
	369,070	549,742

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Included in current assets		
Trade receivables — net *(i)*	**822,989**	863,969
Other receivables		
— Deposits receivables	**16,057**	15,850
— Others	**33,241**	28,043
	49,298	43,893
Prepayments to suppliers	**61,130**	71,534
	933,417	979,396
Included in non-current assets		
Prepayments for property, plant and equipment	**32,133**	138,790
	965,550	1,118,186

(i) Details of trade receivables — net are as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**837,547**	863,969
Less: provision for loss allowance	**(14,558)**	—
Trade receivables — net	**822,989**	863,969

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Within 90 days	**553,717**	550,418
91 to 180 days	**94,612**	146,751
181 to 365 days	**108,967**	132,534
1 to 2 years	**70,795**	28,791
2 to 3 years	**8,517**	4,446
Over 3 years	**939**	1,029
	837,547	863,969

The Group's trade receivables are denominated in RMB.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 3.1.2.

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARE

	Number of shares	Nominal value of shares USD	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Treasury share RMB'000
Authorised:					
At January 1, 2024 and December 31, 2024	5,000,000,000	50,000	—	—	—
Issued and fully paid:					
At January 1, 2024	631,524,200	6,315	43	7,634,305	—
Repurchase of ordinary shares *(i)*	—	—	—	—	(168,077)
Cancellation of shares	(9,753,000)	(98)	(1)	(149,682)	149,683
At December 31,2024	621,771,200	6,217	42	7,484,623	(18,394)
At January 1, 2023	616,724,200	6,167	42	7,047,045	—
Issue of shares upon placing	14,800,000	148	1	681,739	—
Dividends	—	—	—	(94,479)	—
At December 31,2023	631,524,200	6,315	43	7,634,305	—

(i) The Company repurchased a total of 11,097,200 ordinary shares on the HKSE with an aggregate amount of HKD183,761,000 (equivalent to approximately RMB168,077,000). The ordinary shares were repurchased from September 2024 to December 2024. During the year, 9,753,000 repurchased ordinary shares had been cancelled by the Company.

22 OTHER RESERVES

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	**(2,805,189)**	(2,851,903)
Transfer to statutory reserve	**5,779**	17,464
Share-based compensation expense *(Note 28)*	**(10,736)**	29,250
At the end of the year	**(2,810,146)**	(2,805,189)

23 RETAINED EARNINGS

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	**1,404,037**	738,573
Profit for the year	**598,261**	682,928
Transfer to statutory reserves	**(5,779)**	(17,464)
At the end of the year	**1,996,519**	1,404,037

24 BORROWINGS

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Bank borrowings	**2,779,210**	2,715,307
Non-current liabilities:		
— Long-term bank borrowings — secured *(i)*	**2,123,657**	2,191,015
— Long-term bank borrowings — unsecured	**335,553**	312,292
Less: current portion	**(211,999)**	(184,450)
	2,247,211	2,318,857
Current liabilities:		
— Short-term bank borrowings — unsecured	**320,000**	212,000
— Current portion of non-current liabilities	**211,999**	184,450
	531,999	396,450
Other borrowings	**—**	6,050
Non-current liabilities:		
— Long-term other borrowings — secured	**—**	6,050
Less: current portion	**—**	(5,915)
	—	135
Current liabilities:		
— Current portion of non-current liabilities	**—**	5,915
	—	5,915
Total	**2,779,210**	2,721,357

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Pledged by property, plant and equipment *(Note 13)*	**909,029**	785,748
Secured by equity pledge of certain subsidiaries of the Group	**1,214,628**	1,411,317
	2,123,657	2,197,065

The Group's bank borrowings as at December 31, 2024 of approximately RMB909,029,000 (2023: approximately RMB785,748,000) were secured by certain buildings, right-of-use for lands and construction in progress of the Group with total carrying values of approximately RMB988,282,000 (2023: approximately RMB751,882,000).

The Group's bank borrowings as at December 31, 2024 of approximately RMB1,214,628,000 (2023: approximately RMB1,411,317,000) were secured by 100% equity of Suzhou Yongding Medical Management Service Co., Ltd., 100% equity of Etern Healthcare (HK) Limited, 100% equity of Etern Group Ltd., 98% equity of Suzhou Yongding Hospital Co., Ltd., 70% equity of Chang'an Hospital and 70% equity of Yixing Hygeia Hospital.

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,	
	2024	2023
Bank borrowings	**3.62%**	4.02%

(b) Details of the Group's exposure to interest rate risks arising from fixed-rate and floating-rate bank borrowings are set out as follows:

	As at December 31,	
	2024 **RMB'000**	2023 RMB'000
Fixed-rate bank borrowings	**461,385**	1,228,718
Floating-rate bank borrowings	**2,317,825**	1,492,639
	2,779,210	2,721,357

(c) The carrying amounts of the borrowings approximated their fair values as at December 31, 2024 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,	
	2024 **RMB'000**	2023 RMB'000
Within 1 year	**531,999**	402,365
Between 1 and 2 years	**466,878**	256,709
Between 2 and 5 years	**1,542,106**	1,829,041
Over 5 years	**238,227**	233,242
	2,779,210	2,721,357

24 BORROWINGS (CONTINUED)

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

	As at December 31,	
	2024 ***RMB'000***	2023 *RMB'000*
RMB	**2,779,210**	2,721,357

(f) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities for the years ended December 31, 2024 and 2023, see Note 3.2(b) for details.

25 DEFERRED REVENUE

	As at December 31,	
	2024 ***RMB'000***	2023 *RMB'000*
Government grants	**35,425**	36,084
To be realised within 12 months	**587**	587
To be realised more than 12 months	**34,838**	35,497
Total	**35,425**	36,084

The deferred revenue mainly represented the government grants obtained to support the construction costs of the Group's hospitals. The deferred revenue is recognised in the consolidated statement of comprehensive income over the useful lives of the assets to match the depreciation expenses of the relevant assets after completion of the construction.

26 LEASE LIABILITIES

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Minimum lease payments due		
— Within 1 year	**3,870**	971
— Between 1 and 2 years	**3,411**	941
— Between 2 and 5 years	**6,452**	1,752
	13,733	3,664
Less: future finance charges	**(1,500)**	(434)
Present value of lease liabilities	**12,233**	3,230
Within 1 year	**3,246**	793
Between 1 and 2 years	**2,973**	814
Between 2 and 5 years	**6,014**	1,623
	12,233	3,230

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Interest expenses (included in finance costs — net) *(Note 10)*	**653**	238
Variable terms lease expenditure for equipment	**560**	1,063
Short-term lease expenditure	**1,271**	809
	1,831	1,872
Cash outflow for lease payments *(Note 32(c))*	**3,639**	3,182
Cash outflow for short-term lease and variable terms lease *(Note 8)*	**1,831**	1,872
	5,470	5,054

26 LEASE LIABILITIES (CONTINUED)

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

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

A 5% increase in revenue shares across all divisions in the Group with such variable lease contracts, for the year ended December 31, 2024 would increase total lease payments by approximately RMB71,000 (2023: approximately RMB100,000).

27 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Provision for asset retirement obligations	**8,963**	9,620

The Group's radiotherapy equipment assembles Cobalt-60 to fulfill the treatment mission. In accordance with the purchase agreement, the decommissioning and disposal obligations arising from the radioactive nature of Cobalt-60 are recognised in the financial statements by discounting the estimated future disposal costs using a specific discount rate in accordance with applicable regulatory requirements.

28 SHARE-BASED COMPENSATION EXPENSES

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

Share Options granted under the Share Option Scheme shall be valid and effective for a period of 10 years from the Grant Date and vest over a five-year period, with 20%, 20%, 20%, 20% and 20% of total Share Options vesting on March 31 each year from 2023 to 2027. The vesting of the Share Options is conditional on the fulfillment of the vesting conditions including the Company's performance and individual performance target. Details of the Share Options was disclosed in the Company announcement dated November 12, 2021. As at December 31, 2024, 2,738,800 share options of the Company were vested and 1,108,000 share options were forfeited due to dismission of the eligible person. Set out below are summaries of options movements under the plan:

	2024		2023	
	Average exercise price per share option	***Number of options***	*Average exercise price per share option*	*Number of options*
As at January 1	**HKD66.80**	**7,151,200**	HKD66.80	7,338,000
Forfeited during the year	**HKD66.80**	**(400,200)**	HKD66.80	(186,800)
As at December 31	**HKD66.80**	**6,751,000**	HKD66.80	7,151,200
Including: vested and exercisable at December 31	**HKD66.80**	**2,738,800**	HKD66.80	1,452,800

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

28 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

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

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

The Group net reversed RMB10,736,000 share-based compensation expenses in the consolidated statements of comprehensive income for the year ended December 31, 2024 due to certain vesting conditions not having been met (December 31, 2023: recognised RMB29,250,000).

Accounting policies for share-based compensation

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

- Including any market performance conditions;
- Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and
- Excluding the impact of any service and non-market performance vesting conditions.

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

28 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Accounting policies for share-based compensation (Continued)

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

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

29 TRADE AND OTHER PAYABLES

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Trade payables *(a)*	**549,008**	687,100
Salaries payable	**285,063**	355,066
Payables for construction projects	**172,086**	161,547
Payables of considerations for acquiring equity interest of subsidiaries *(b)*	**15,071**	65,171
Other taxes payable	**28,403**	43,674
Deposits payable	**5,129**	7,543
Prepayments received for radiotherapy equipment licensing	**4,761**	6,430
Others	**77,014**	83,523
	1,136,535	1,410,054

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
0 to 90 days	**403,856**	479,403
91 to 180 days	**79,824**	129,778
181 to 365 days	**21,544**	45,316
Over 1 year	**43,784**	32,603
	549,008	687,100

29 TRADE AND OTHER PAYABLES (CONTINUED)

(b) On July 25, 2023, the Group entered into an acquisition agreement to acquire, (i) the entire issued share capital of Datang Healthcare Corporation Limited, which holds 70% equity interest in Chang'an Hospital, and (ii) 30% equity interest in Chang'an Hospital directly. The total consideration of the above transactions is RMB1,660,000,000, where the fair values of the identifiable assets and liabilities thereof had been determined provisionally. During the year ended December 31, 2023, RMB1,610,000,000 of the total consideration has been paid in cash.

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

30 CONTRACT LIABILITIES

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Hospital Business		
— Outpatient services	**24,088**	26,049
— Inpatient services	**22,340**	17,448
Other Business	**8,254**	10,761
	54,682	54,258

(a) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Hospital Business		
— Outpatient services	**26,049**	13,527
— Inpatient services	**17,448**	10,022
Other Business	**10,761**	5,655
	54,258	29,204

All hospital business contracts are for periods of one year or less. Other business contracts are for periods of more than one year with variable consideration based on revenue. Hence, the transaction prices allocated to these unsatisfied performance obligations are not disclosed.

31 DIVIDENDS

The Board did not propose to declare any final dividend for the year ended December 31, 2024 (for the year ended December 31, 2023: nil).

32 NET CASH GENERATED FROM OPERATION

(a) Reconciliation from profit before income tax to cash generated from operations:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit before income tax	**750,816**	856,087
Adjustment for:		
Interest income *(Note 10)*	**(1,514)**	(10,153)
Interest expenses *(Note 10)*	**71,842**	43,170
Depreciation of property, plant and equipment *(Note 13)*	**275,184**	194,085
Amortisation of intangible assets *(Note 14)*	**19,941**	16,457
Net loss on disposals of property, plant and equipment *(Note 7)*	**6,514**	4,829
Realised and unrealised gains on financial assets at FVPL *(Note 7)*	**(10,518)**	(15,562)
Impairment losses on financial assets	**57,614**	—
Share-based compensation expense *(Note 28)*	**(10,736)**	29,250
Realised and unrealised exchange gains from foreign currency borrowings *(Note 32(c))*	**—**	(9,743)
Operating cash flows before changes in working capital	**1,159,143**	1,108,420
Changes in working capital:		
Increase in inventories	**(7,891)**	(27,201)
Increase in trade and other receivables, prepayments	**(2,943)**	(30,733)
Decrease in trade and other payables, and contract liabilities	**(267,906)**	(124,047)
Cash generated from operations	**880,403**	926,439

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Net book amount *(Note 13)*	**15,951**	20,063
Net loss on disposal of property, plant and equipment *(Note 7)*	**(6,514)**	(4,829)
Proceeds from disposal of property, plant and equipment	**9,437**	15,234

For the years ended December 31, 2024 and 2023, 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, 2023	1,283,263	5,855
Cash flows	1,271,027	(3,182)
Additions	—	319
Additions from acquisitions	176,810	—
Exchange gains	(9,743)	—
Interest expenses	—	238
Balance as at December 31, 2023	2,721,357	3,230
Balance as at January 1, 2024	**2,721,357**	**3,230**
Cash flows	**53,458**	**(3,639)**
Additions	**—**	**11,989**
Interest expenses	**4,395**	**653**
Balance as at December 31, 2024	**2,779,210**	**12,233**

33 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties (Continued)

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2024 and 2023:

Name of related parties	Relationship with the Group
Ji Hairong (季海榮)	Spouse of Mr. Zhu
Ms. Zhu	Daughter of Mr. Zhu
Shanghai Rongqiao Biotechnology Co., Ltd. (上海榮喬生物科技有限公司)	Ultimately controlled by Ji Hairong
Handan Renhe Hospital (邯鄲仁和醫院)	Certain employees or directors of the Group are Handan Renhe Hospital's internal governance body members

(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,	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and bonus	**4,567**	4,806
Employer's contribution to retirement benefit plan	**284**	314
Allowances and benefits in kind	**260**	305
Share-based compensation expenses	**(757)**	3,775
	4,354	9,200

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

For the years ended December 31, 2024 and 2023, 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,	
	2024	2023
	RMB'000	*RMB'000*
Recurring transactions		
Other Business Revenue		
— Handan Renhe Hospital	**22,191**	15,611
Depreciation on right-of-use assets and interest expense on lease liabilities		
— Ms. Zhu	**—**	1,007
— Shanghai Rongqiao Biotechnology Co., Ltd.	**604**	636
— Ji Hairong	**29**	27

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

(d) Balances with related parties

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Amounts due from related parties		
Other Business		
— Handan Renhe Hospital	**23,552**	20,255

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Amounts due to related parties		
Lease liabilities to		
— Shanghai Rongqiao Biotechnology Co., Ltd.	**838**	—
— Ji Hairong	**27**	53
Total	**865**	53

As at December 31, 2024 and 2023, 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,	
	2024 **RMB'000**	2023 RMB'000
Property, plant and equipment	**460,936**	493,891
Intangible assets	**2,185**	530
	463,121	494,421

35 CONTINGENT LIABILITIES

As at December 31, 2024 and 2023, the Group did not have any material contingent liabilities.

36 PARTICULARS OF SUBSIDIARIES

The Company's subsidiaries comprising the Group at December 31, 2024 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, 2024	Attributable equity interest to the Group As at December 31, 2023
Directly held:					
Hygeia Healthcare Group Co., Limited	BVI, October 2, 2018	USD50	Investment holding	100%	100%
Etern Group Ltd.	BVI, April 28, 2021	–	Corporate management	100%	100%
Datang Healthcare Corporation Limited (大唐醫療有限公司)	Hong Kong, August 31, 2023	–	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%

36 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, 2024	Attributable equity interest to the Group As at December 31, 2023
Indirectly held: (Continued)					
Jiangsu Gamma Star Medical Service Co., Ltd. (江蘇伽瑪星醫療服務有限公司)	PRC, December 1, 2017	RMB10,000	Radiotherapy service	100%	100%
Jiangsu Hygeia Medical Instrument Co., Ltd. (江蘇海吉亞醫療器械有限公司)	PRC, November 21, 2017	RMB10,000	Supply chain	100%	100%
Gamma Star Tech (上海伽瑪星科技發展有限公司)	PRC, November 24, 2009	RMB150,000	Hospital management and production of our proprietary SRT equipment	100%	100%
Chengwu Hygeia Hospital (成武海吉亞醫院有限公司)	PRC, January 12, 2017	RMB26,000	Healthcare services	100%	100%
Chongqing Hygeia Hospital (重慶海吉亞醫院有限公司)	PRC, November 9, 2015	RMB71,429	Healthcare services	100%	100%
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 8, 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. (上海伽瑪星醫療信息諮詢有限公司)	PRC, August 23, 2019	RMB10,000	Corporate management	100%	100%

36 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, 2024	Attributable equity interest to the Group As at December 31, 2023
Indirectly held: (Continued)					
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%
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%
Hygeia Medical Management (Shanghai) Co., Ltd. (海吉亞醫療管理(上海)有限公司)	PRC, January 5, 2021	RMB50,000	Corporate management	100%	100%
Etern Healthcare (HK) Limited	Hong Kong, April 28, 2021	–	Corporate management	100%	100%
Suzhou Yongding Medical Management Service Co., Ltd. *(i)* (蘇州永鼎醫療管理服務有限公司)	PRC, April 28, 2021	RMB80,000	Corporate management	100%	100%
Hezhou Guangji Hospital (賀州廣濟醫院有限公司)	PRC, July 7, 2021	RMB59,201	Healthcare services	100%	100%
Suzhou Yongding Hospital Co., Ltd. (蘇州永鼎醫院有限公司)	PRC, April 28, 2021	RMB75,000	Healthcare services	98%	98%
Changshu Hygeia Hospital Co., Ltd. (常熟海吉亞醫院有限公司)	PRC, June 29, 2021	RMB100,000	Healthcare services	100%	100%
Qihai (Chongqing) Pharmaceutical Co., Ltd. (棲海(重慶)醫藥有限公司)	PRC, August 11, 2021	RMB10,000	Supply chain	100%	100%
Kaiyuan Jiehua Hospital Co., Ltd. (開遠解化醫院有限公司)	PRC, May 31, 2021	RMB7,143	Healthcare services	100%	100%
Hygeia Medical Management (Chongqing) Co., Ltd. (海吉亞醫療管理(重慶)有限公司)	PRC, January 20, 2022	RMB80,000	Corporate management	100%	100%
Suzhou Hygeia Pharmacy Co., Limited (蘇州海吉亞大藥房有限公司)	PRC, April 7, 2023	RMB100	Healthcare services	100%	100%
Yixing Hygeia Hospital (宜興海吉亞醫院有限公司)	PRC, May 31, 2023	RMB36,637	Healthcare services	89.2%	89.2%

36 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, 2024	Attributable equity interest to the Group As at December 31, 2023
Indirectly held: (Continued)					
Subang Medical Technology (無錫市蘇邦醫療科技有限公司)	PRC, May 31, 2023	RMB100	Corporate management	89.2%	89.2%
Qufu Hygeia Medical Management Co., Ltd. (曲阜海吉亞醫療管理有限公司)	PRC, July 4, 2023	RMB10,000	Corporate management	100%	100%
Chang'an Hospital (長安醫院有限公司)	PRC, August 31, 2023	USD48,562	Healthcare services	100%	100%
Qufu Chengdong Hospital (曲阜城東腫瘤醫院有限公司)	PRC, December 31, 2023	RMB10,000	Healthcare services	100%	100%
Hygeia (Xi'an) Medical Management Co., Ltd. *(ii)* (海吉亞(西安)醫療管理有限公司)	PRC, January 26,2024	RMB5,000	Corporate management	100%	Not applicable
Chongqing Hai Fu Pharmacy Co., Ltd. *(ii)* (重慶海福大藥房有限公司)	PRC, September 5, 2024	RMB100	Healthcare services	100%	Not applicable
Chongqing Hygeia Senior Care Service Co., Ltd. *(ii)* (重慶海吉亞養老服務有限公司)	PRC, October 31, 2024	RMB100	Healthcare services	100%	Not applicable
Chongqing Hygeia Health Management Co., Ltd. *(ii)* (重慶海吉亞健康管理有限公司)	PRC, November 21, 2024	RMB100	Healthcare services	100%	Not applicable
Haiyu (Chongqing) Supply Chain Management Co., Ltd. *(ii)* (海萸(重慶)供應鏈管理有限公司)	PRC, November 22, 2024	RMB10,000	Supply chain	100%	Not applicable

(i) These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

(ii) These subsidiaries were newly established during this year.

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.

37 BALANCE SHEET OF THE COMPANY

		As at December 31,	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Amount due from a subsidiary		**756,587**	1,076,697
Investment in subsidiaries		**7,445,397**	7,449,528
Total non-current assets		**8,201,984**	8,526,225
Current assets			
Prepayments and other receivables		**194**	55
Cash and cash equivalents		**23,734**	15,783
Total current assets		**23,928**	15,838
Total assets		**8,225,912**	8,542,063
EQUITY			
Equity attributable to owners of the Company			
Share capital, share premium and treasury share	*21*	**7,466,271**	7,634,348
Other reserves	*37(a)*	**(7,737)**	2,999
Accumulated losses	*37(b)*	**(396,483)**	(347,560)
Total equity		**7,062,051**	7,289,787
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**1,088,537**	1,174,835
Total non-current liabilities		**1,088,537**	1,174,835
Current liabilities			
Trade and other payables		**55,870**	57,987
Amounts due to subsidiaries		**19,454**	19,454
Total current liabilities		**75,324**	77,441
Total liabilities		**1,163,861**	1,252,276
Total equity and liabilities		**8,225,912**	8,542,063

The balance sheet of the Company was approved by the Board on March 27, 2025 and was signed on its behalf.

Zhu Yiwen
Director

Ren Ai
Director

37 BALANCE SHEET OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
At the beginning of the year	**2,999**	(26,251)
Share-based compensation expense for subsidiaries	**(10,736)**	29,250
At the end of the year	**(7,737)**	2,999

(b) Accumulated losses of the Company

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
At the beginning of the year	**(347,560)**	(333,931)
Loss for the year	**(48,923)**	(13,629)
At the end of the year	**(396,483)**	(347,560)

38 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, 2024:

	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, 2024							
Executive directors							
Mr. Zhu Yiwen	–	740	118	(353)	–	–	505
Mr. Ren Ai	–	542	764	(151)	65	71	1,291
Ms. Cheng Huanhuan	–	504	139	(101)	65	71	678
Ms. Jiang Hui	–	456	352	(76)	65	71	868
Mr. Zhang Wenshan	–	420	532	(76)	65	71	1,012
Independent non-executive directors							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Ye Changqing	240	–	–	–	–	–	240
Mr. Zhaochun	240	–	–	–	–	–	240
	720	2,662	1,905	(757)	260	284	5,074

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2023:

	Fees RMB'000	Salaries and wages RMB'000	Discretionary bonuses RMB'000	Share-based compensation expense RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit plan RMB'000	Total RMB'000
Year ended December 31, 2023							
Executive directors							
Mr. Zhu Yiwen	–	600	48	1,762	40	43	2,493
Mr. Ren Ai	–	541	894	755	66	68	2,324
Ms. Cheng Huanhuan	–	504	399	503	66	68	1,540
Mr. Zhang Wenshan	–	420	583	377	66	68	1,514
Ms. Jiang Hui	–	517	300	377	66	68	1,328
Independent non-executive directors							
Mr. Liu Yanqun	240	–	–	–	–	–	240
Mr. Ye Changqing	240	–	–	–	–	–	240
Mr. Zhaochun	240	–	–	–	–	–	240
	720	2,582	2,224	3,774	304	315	9,919

During the years ended December 31, 2024 and 2023, 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, 2024 and 2023.

39 SUBSEQUENT EVENTS

In January 2025, the Company repurchased a total of 1,928,000 Shares on the Hong Kong Stock Exchange with an aggregate amount of HK$25,578,484. As of March 27, 2025, the repurchased Shares have not been cancelled by the Company.

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

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

40.1 Subsidiaries

(i) Consolidation

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

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

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

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

(a) Changes in ownership interests without change of control

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

(b) Disposal of subsidiaries

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.1 Subsidiaries (Continued)

(ii) Separate financial statements

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

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

40.2 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.3 Property, plant and equipment

The Group's accounting policy for land and buildings is explained in Note 13. Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 40.5).

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

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

40.4 Intangible assets

(i) Medical licenses

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

(ii) Contractual rights to provide management services

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.4 Intangible assets (Continued)

(iii) Software

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

(iv) Research and development

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

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.5 Financial assets

(i) Classification

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

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

- those to be measured at amortised cost.

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

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

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

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

(ii) Recognition and measurement

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.5 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments

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

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

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.5 Financial assets (Continued)

(iii) Impairment of financial assets

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

- trade receivables for sales of goods or provision of services; and
- other receivables and due from related parties.

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

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

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.5 Financial assets (Continued)

(iv) Derecognition of financial instruments

Financial assets

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

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

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

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

Other financial liabilities

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

40.6 Offsetting financial instruments

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

40.7 Inventories

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.8 Contract assets and contract liabilities

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

40.9 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 40.5 for a description of the Group's impairment policy for trade and other receivables.

40.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and on hand. Cash at bank with restriction on their uses are included as "restricted cash" in the consolidated statements of financial position. Restricted cash are excluded from cash and cash equivalents.

40.11 Share capital and share premium

Ordinary shares are classified as equity.

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.12 Trade payables

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

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

40.13 Borrowings

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

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

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

40.14 Borrowing costs

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

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

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

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

40.15 Current and deferred income tax

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.15 Current and deferred income tax (Continued)

(i) Current income tax

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

(ii) Deferred income tax

a) Inside basis differences

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

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

b) Outside basis differences

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

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

(iii) Offsetting

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.16 Employee benefits

(i) Pension obligations

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

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

(ii) Housing funds, medical insurances and other social insurances

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

(iii) Short-term obligations

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

(iv) Employee leave entitlement

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.16 Employee benefits (Continued)

(v) Bonus plan

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

40.17 Provisions

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

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

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

40.18 Interest income

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.19 Leases

The Group as the lessee:

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.19 Leases (Continued)

The Group as the lessor:

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

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

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

40.20 Dividend distribution

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

40.21 Government grants

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

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

Definitions and Glossaries

In this 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 in June 27, 2025
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on June 8, 2020 which became effective on the Listing Date (as amended from time to time)
"associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairman"	the Chairman of the Board
"Chang'an Hospital"	Chang'an Hospital Co., Ltd.* (長安醫院有限公司), a limited liability company incorporated under the laws of the PRC on December 31, 2002
"Changshu Hygeia Hospital"	Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd.* (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Hospital Co., Ltd.* (重慶海吉亞醫院有限公司) (formerly known as Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) and Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company

Definitions and Glossaries

"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, Ewen Legacy Limited, Century River Holdings Limited, Ewen Eternity Limited, Amber Tree Holdings Limited and Red Palm Holdings Limited
"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
"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
"Group", "we", or "us"	the Company together with its subsidiaries
"Handan Renhe Hospital" or "Managed Hospital"	Handan Renhe Hospital* (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011

"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd.* (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of the Company
"Hezhou Guangji Hospital"	Hezhou Guangji Hospital Co., Ltd. (賀州廣濟醫院有限公司), a limited liability company incorporated under the laws of the PRC on March 4, 2020 and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd. *(海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Jiangsu Medical"	Jiangsu Hygeia Medical Instrument Co., Ltd.* (江蘇海吉亞醫療器械有限公司) (formerly known as Jiangsu Hygeia Supply Chain Management Co., Ltd. (江蘇海吉亞供應鏈管理有限公司)), a limited liability company established in the PRC on November 21, 2017, a wholly-owned subsidiary of the Company
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital Co., Ltd. * (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021 and a subsidiary of the Company
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
"Listing 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

Definitions and Glossaries

"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd.* (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, Chairman and executive Director, and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"NHFPC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Nomination Committee"	the nomination committee of the Board
"oncology"	the branch of medicine that deals with cancer
"Prospectus"	the prospectus of the Company published on June 16, 2020
"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)
"Qihai Medicine"	Qihai (Chongqing) Medicine Limited* (棲海(重慶)醫藥有限公司), a limited liability company established in the PRC on August 11, 2021, and a wholly-owned subsidiary of the Company
"Qufu Chengdong Hospital"	Qufu Chengdong Cancer Hospital Co., Ltd.* (曲阜城東腫瘤醫院有限公司), a limited liability company incorporated under the laws of the PRC on October 30, 2015
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells

"radiotherapy center services"	the services we provide to certain hospital partners in connection with their radiotherapy centers, which primarily comprise (i) provision of radiotherapy center consulting services; (ii) licensing of the proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the proprietary SRT equipment
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2024 to December 31, 2024
"RMB"	the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Shares
"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
"Suzhou Yongding Hospital"	Suzhou Yongding Hospital Co., Ltd.* (蘇州永鼎醫院有限公司), a for-profit Class II general hospital in Suzhou and a subsidiary of the Company
"US$"	United States dollars, the lawful currency of the United States of America

Definitions and Glossaries

"VIE Hospitals"	the hospitals that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements from time to time
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
"Yixing Hygeia Hospital"	Yixing Hygeia Hospital Co., Ltd.* (宜興海吉亞醫院有限公司), a limited liability company established in the PRC on April 6, 2023 and a subsidiary of the Company
"%"	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*