RICI HEALTHCARE HOLDINGS LIMITED
瑞慈醫療服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1526)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL SUMMARY

- Revenue for the six months ended June 30, 2021 amounted to RMB999.5 million, representing an increase of 71.4% from RMB583.3 million for the corresponding period in 2020.

- Gross profit for the six months ended June 30, 2021 amounted to RMB272.6 million, representing an increase of 549.6% from RMB42.0 million for the corresponding period in 2020.

- Profit attributable to owners of the Company for the six months ended June 30, 2021 amounted to RMB10.5 million, as compared to loss attributable to owners of the Company of RMB164.1 million for the corresponding period in 2020.

- Adjusted EBITDA for the six months ended June 30, 2021 was RMB276.6 million, representing an increase of 457.0% from RMB49.7 million for the corresponding period in 2020.

In this announcement, "we", "us", "our" and "Rici" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Rici Healthcare Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited consolidated financial results of the Group for the six months ended June 30, 2021 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2020. The Group's unaudited interim condensed consolidated balance sheet, unaudited interim condensed consolidated statement of profit or loss, unaudited interim condensed consolidated statement of comprehensive income and explanatory notes 1 to 19 as presented below are extracted from the Group's unaudited interim condensed consolidated financial information for the six months ended June 30, 2021.

Interim condensed consolidated balance sheet

As at June 30, 2021

	Note	**Unaudited 30 June 2021** ***RMB'000***	Audited 31 December 2020 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,370,597**	1,242,707
Right-of-use assets	*5*	**1,295,742**	1,357,374
Intangible assets		**11,776**	11,078
Investments accounted for using equity method		**8,083**	7,900
Financial assets at fair value through profit or loss		**4,500**	4,500
Deposits for long-term leases		**41,673**	39,589
Deferred tax assets	*6*	**244,240**	235,022
Prepayments	*9*	**91,811**	105,270
		3,068,422	3,003,440
Current assets			
Inventories		**47,731**	43,712
Trade receivables	*7*	**288,864**	282,653
Other receivables		**33,601**	33,159
Prepayments	*9*	**20,052**	28,152
Amounts due from related parties		**6,613**	5,872
Cash and cash equivalents	*8*	**478,925**	561,819
Restricted cash	*8*	**210,276**	252,187
		1,086,062	1,207,554
Total assets		**4,154,484**	4,210,994

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**520,196**	546,279
Lease liabilities	12	**1,213,169**	1,257,170
Other financial liabilities		**137,387**	129,879
Deferred income		**64,082**	—
		1,934,834	1,933,328
Current liabilities			
Borrowings	11	**763,387**	738,913
Lease liabilities	12	**278,589**	266,784
Contract liabilities		**311,615**	292,690
Trade and other payables	13	**531,681**	599,848
Amounts due to related parties		**284**	134
Income tax payables		**25,467**	23,237
Deferred income		**5,605**	23,620
		1,916,628	1,945,226
Total liabilities		**3,851,462**	3,878,554
Net Assets		**303,022**	332,440
EQUITY			
Share capital	10	**1,065**	1,065
Reserves		**521,449**	504,744
Equity attributable to owners of the Company		**522,514**	505,809
Non-controlling interests		**(219,492)**	(173,369)
Total equity		**303,022**	332,440
Total equity and liabilities		**4,154,484**	4,210,994

Interim condensed consolidated statement of profit or loss
For the six months ended June 30, 2021

	Note	**Unaudited**	Unaudited
		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
Revenue	*14*	**999,533**	583,260
Cost of sales	*15*	**(726,927)**	(541,293)
Gross profit		**272,606**	41,967
Distribution costs and selling expenses	*15*	**(88,452)**	(70,256)
Administrative expenses	*15*	**(112,568)**	(135,892)
Net impairment (losses)/reversals on financial assets	*15*	**(4,305)**	3,237
Other income		**10,453**	9,400
Other losses		**(1,186)**	(2,555)
Operating profit/(loss)		**76,548**	(154,099)
Finance costs	*16*	**(83,680)**	(82,183)
Finance income	*16*	**2,559**	10,811
Finance costs — net		**(81,121)**	(71,372)
Share of results of investments accounted for using equity method		**183**	195
Loss before income tax		**(4,390)**	(225,276)
Income tax expense	*17*	**(25,668)**	(24,937)
Loss for the period		**(30,058)**	(250,213)
Profit/(loss) is attributable to:			
Owners of the Company		**10,460**	(164,097)
Non-controlling interests		**(40,518)**	(86,116)
		(30,058)	(250,213)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
— Basic and diluted	*18*	**RMB0.01**	RMB (0.10)

Interim condensed consolidated statement of comprehensive income

For the six months ended June 30, 2021

	Note	**Unaudited**	Unaudited
		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
Loss for the period		**(30,058)**	(250,213)
Other comprehensive income or loss		**—**	—
Total comprehensive loss for the period		**(30,058)**	(250,213)
Total comprehensive profit/(loss) for the period is attributable to:			
Owners of the Company		**10,460**	(164,097)
Non-controlling interests		**(40,518)**	(86,116)
		(30,058)	(250,213)

Notes to the interim condensed consolidated financial information

For the six months ended June 30, 2021

1 General information

Rici Healthcare Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands on 11 July 2014. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company, an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of general hospital services, specialty hospital services and medical examination services in the People's Republic of China ("**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 6 October 2016.

The interim condensed consolidated financial information is presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated, and was approved and authorised for issue by the board of directors (the "**Board**") of the Company on 31 August 2021.

2 Basis of preparation

The notes contained in this announcement are extracted from the full set of interim condensed consolidated financial information for the six months ended June 30, 2021 which has been prepared in accordance with HKAS 34 Interim Financial Reporting, and does not include all the notes of the type normally included in an annual financial statements. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and together with any public announcements made by the Company.

(a) Going concern

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB830,566,000. Contract liabilities and deferred income included in current liabilities of the Group as at 30 June 2021 amounting to RMB317,220,000 is not expected to create cash outflow for the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings and uncommitted credit facilities provided by banks in PRC. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that the Group's bank financing could be renewed and/or extended for at least another twelve months upon maturity, if necessary. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the interim condensed consolidated financial information.

3 Accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those of the annual financial statements of the Group for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards, as set out below.

(a) New and amended standards adopted by the Group

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — Regarding interest rate benchmark reform — Phase 2

- 2021 Amendments to IFRS16 — Regarding COVID-19 Related Rent Concessions beyond 30 June 2021

The adoption of the above new amendments starting from 1 January 2021 did not give rise to significant impact on the Group's results of operations and financial position for the six months ended 30 June 2021.

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standard and amendments of HKFRSs have been published but are not mandatory for the financial year beginning 1 January 2021 and have not been early adopted by the Group. Those which are more relevant to the Group's current operations are as below:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Regarding disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Regarding definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Regarding deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HK Interpretation 5 (2020)	Regarding Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1	Regarding classification of liabilities as current or non-current	Originally 1 January 2022, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 16	Regarding property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37	Regarding onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Amendments to HKFRS 3	Regarding reference to the conceptual framework	1 January 2022

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	Originally 1 January 2021, but extended to 1 January 2023 by the HKICPA
Amendments to HKFRS 10 and HKAS 28	Regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new standard and amendments described above are either currently not relevant to the Group or not expected to have material impact on the Group's interim condensed consolidated financial information when they become effective.

4 Segment information

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("**CODM**") for the purpose of corporate planning, allocating resources and assessing performance.

Management considers the business from a business perspective, and assesses the performance of the business segment based on segment profit without allocation of administrative expenses, interest income, interest expenses, other finance costs and income tax expense.

The amounts provided to management with respect to total assets and total liabilities are measured consistent with that of the financial information. These assets are allocated based on the operations of segments. Certain assets and liabilities related to some subsidiaries with corporate function are not allocated into segments. Elimination of revenue are mainly inter-segment service charges related to general hospital business.

The Group manages its business by three operating segments based on their services, which is consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment. The principal assets employed by the Group are located in the PRC, and accordingly, no geographical segment analysis has been prepared.

(a) General hospital

The business of this segment is in Nantong, a city of Jiangsu Province. Revenue from this segment is derived from general hospital services provided by Nantong Rich Hospital Co., Ltd. ("**Nantong Rich Hospital**") and hemodialysis services provided by Nantong Rich Hemodialysis Center Co., Ltd..

(b) Medical examination centers

The business of this segment is in Shanghai, Jiangsu Province and other provinces in the PRC. Revenue from this segment is derived from medical examination services.

(c) Specialty hospitals

The business of this segment is in Shanghai and Jiangsu Province. Revenue from this segment is derived from specialty hospital services and maternal and child nursing services.

The following table presents revenue and profit information regarding the Group's operation segments for the six months ended 30 June 2021 and 2020, and the segment assets and liabilities as at 30 June 2021 and 31 December 2020.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Specialty Hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2021 (unaudited)						
Revenue	339,965	610,836	58,540	–	(9,808)	999,533
Segment profit/(loss)	87,988	151,163	(54,997)	–	–	184,154
Administrative expenses						(112,568)
Net impairment losses on financial assets						(4,305)
Interest income						2,559
Interest expenses						(79,735)
Net exchange losses						(3,945)
Total loss before income tax						(4,390)
Income tax expense						(25,668)
Loss for the period						(30,058)
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	132,369	155,793	1,819	–	–	289,981
Depreciation and amortization	13,012	139,803	36,605	–	–	189,420

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Specialty Hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 30 June 2021 (unaudited)						
Segment assets	**1,541,331**	**2,866,974**	**758,054**	**861,012**	**(1,872,887)**	**4,154,484**
Segment liabilities	**946,326**	**2,756,675**	**961,542**	**278,693**	**(1,091,774)**	**3,851,462**

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Specialty Hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2020 (unaudited)						
Revenue	258,860	290,142	40,708	—	(6,450)	583,260
Segment profit/(loss)	73,787	(49,081)	(52,995)	—	—	(28,289)
Administrative expenses						(135,892)
Net impairment reversals on financial assets						3,237
Interest income						4,757
Interest expenses						(82,183)
Net exchange gains						6,054
Total loss before income tax						(225,276)
Income tax expense						(24,937)
Loss for the period						(250,213)
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	74,386	51,880	6,316	—	—	132,582
Depreciation and amortization	11,180	136,033	34,672	—	—	181,885

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Specialty Hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 31 December 2020						
Segment assets	1,489,219	2,936,255	748,039	828,211	(1,790,730)	4,210,994
Segment liabilities	936,505	2,884,753	884,553	241,204	(1,068,461)	3,878,554

5 Right-of-use assets

	Unaudited As at 30 June 2021 ***RMB'000***	Audited As at 31 December 2020 *RMB'000*
Properties	**1,269,578**	1,291,328
Equipment	**23,116**	62,948
Land use rights	**3,048**	3,098
	1,295,742	1,357,374

	Properties *RMB'000*	**Equipment** *RMB'000*	**Land use rights** *RMB'000*	**Total** *RMB'000*
As at 31 December 2020				
Cost	**1,654,809**	**78,624**	**4,698**	**1,738,131**
Accumulated depreciation	**(363,481)**	**(15,676)**	**(1,600)**	**(380,757)**
Net book amount	**1,291,328**	**62,948**	**3,098**	**1,357,374**
Six months ended 30 June 2021				
Opening net book amount	**1,291,328**	**62,948**	**3,098**	**1,357,374**
Transfer to property and equipment	**—**	**(35,726)**	**—**	**(35,726)**
Additions	**106,124**	**—**	**—**	**106,124**
Revaluation	**(15,256)**	**—**	**—**	**(15,256)**
Disposal	**(14,597)**	**—**	**—**	**(14,597)**
Depreciation	**(98,021)**	**(4,106)**	**(50)**	**(102,177)**
Closing net book amount	**1,269,578**	**23,116**	**3,048**	**1,295,742**

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2021				
Cost	**1,701,683**	**32,445**	**4,697**	**1,738,825**
Accumulated depreciation	**(432,105)**	**(9,329)**	**(1,649)**	**(443,083)**
Net book amount	**1,269,578**	**23,116**	**3,048**	**1,295,742**
As at 31 December 2019				
Cost	1,672,915	78,538	4,698	1,756,151
Accumulated depreciation	(193,745)	(6,135)	(1,500)	(201,380)
Net book amount	1,479,170	72,403	3,198	1,554,771
Six months ended 30 June 2020				
Opening net book amount	1,479,170	72,403	3,198	1,554,771
Additions	16,759	—	—	16,759
Revaluation	2,904	—	—	2,904
Disposal	(9,084)	—	—	(9,084)
Depreciation	(98,597)	(3,867)	(50)	(102,514)
Closing net book amount	1,391,152	68,536	3,148	1,462,836
As at 30 June 2020				
Cost	1,665,927	78,538	4,698	1,749,163
Accumulated depreciation	(274,775)	(10,002)	(1,550)	(286,327)
Net book amount	1,391,152	68,536	3,148	1,462,836

6 Deferred tax assets

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**173,763**	167,553
Right-of-use assets and lease liabilities	**39,253**	36,188
	213,016	203,741
Others		
Share option scheme	**22,786**	20,684
Deferred income	**1,401**	3,950
Loss allowances for financial assets	**3,713**	3,323
Impairment of property and equipment	**548**	548
Others	**2,776**	2,776
	31,224	31,281
Total deferred tax assets	**244,240**	235,022

7 Trade receivables

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Trade receivables	**304,861**	297,014
Less: Loss allowance	**(15,997)**	(14,361)
	288,864	282,653

As at 30 June 2021 and 31 December 2020, the fair value of trade receivables of the Group approximated to their carrying amount.

The aging analysis of trade receivables based on the date the relevant service was rendered is as follows:

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Trade receivables		
— Up to 6 months	**243,158**	274,740
— 6 months to 1 year	**53,370**	10,350
— 1 to 2 years	**3,359**	7,703
— 2 to 3 years	**2,477**	1,191
— Over 3 years	**2,497**	3,030
	304,861	297,014

8 Cash and bank balances

(a) Cash and cash equivalents

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**337,997**	429,393
— Denominated in USD	**137,899**	129,021
— Denominated in HKD	**3,029**	3,405
	478,925	561,819

(b) Restricted cash

As at 30 June 2021, fixed deposits of USD32,550,000(31 December 2020: USD38,650,000) were pledged at banks for the Group's borrowings of RMB190,000,000 (31 December 2020: RMB220,000,000) (Note 11).

9 Prepayments

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Non-current:		
Prepayments for property and equipment	**91,811**	105,270
Current:		
Prepayments for consumables	**7,441**	7,424
Prepayment for equity transaction with non-controlling interests of subsidiaries	**—**	8,833
Others	**12,611**	11,895
	20,052	28,152
Total prepayments	**111,863**	133,422

10 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital *RMB'000*
As at 30 June 2021 and 31 December 2020	1,590,324,000	1,065

11 Borrowings

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Non-current:		
Bank borrowings-secured and/or guaranteed (a)	**514,777**	526,557
Other borrowings-secured and guaranteed (b)	**115,806**	93,085
	630,583	619,642
Less: Current portion of non-current borrowings	**(110,387)**	(73,363)
	520,196	546,279
Current:		
Bank borrowings-secured and/or guaranteed (c)	**653,000**	665,550
Add: Current portion of non-current borrowings	**110,387**	73,363
	763,387	738,913
Total borrowings	**1,283,583**	1,285,192

(a) As at 30 June 2021, non-current bank borrowings include:

(i) RMB5,667,000 borrowings secured by buildings with net book value of RMB34,936,000; and

(ii) RMB99,360,000 borrowings secured by revenue collection rights of Changzhou Rich Hospital Co., Ltd. ("**Changzhou Rich Hospital**"), a subsidiary of the Group, and guaranteed by related parties, Dr. Fang Yixin ("**Dr. Fang**") and Dr. Mei Hong ("**Dr. Mei**").

(b) Other borrowings are secured by the Group's equipment with net book value of RMB106,749,000 and are also guaranteed by the Company's subsidiaries for each other.

(c) As at 30 June 2021, short term bank borrowings include:

   (i) RMB140,000,000 borrowings secured by buildings with net book value of RMB70,280,000; and

   (ii) RMB190,000,000 borrowings secured by USD32,550,000 fixed deposits (Note 8).

All the short-term and long-term borrowings are guaranteed by the Company's subsidiaries for each other.

As at 30 June 2021, all the borrowings were denominated in RMB and their fair value approximated to their carrying amount.

12 Lease liabilities

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**278,589**	266,784
After 1 year but within 2 years	**235,829**	228,313
After 2 years but within 5 years	**530,264**	525,785
After 5 years	**447,076**	503,072
	1,491,758	1,523,954

13 Trade and other payables

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Trade payables due to third parties (b)	**185,817**	163,397
Loans from non-controlling interests of subsidiaries (a)	**119,452**	94,258
Payables for purchase of property and equipment	**75,051**	83,834
Staff salaries and welfare payables	**67,145**	131,634
Deposits payable	**22,940**	20,414
Accrued taxes other than income tax	**4,284**	10,943
Accrued professional service fees	**2,622**	2,430
Interest payables	**1,519**	2,256
Accrued advertising expenses	**1,099**	1,924
Others	**51,752**	88,758
	531,681	599,848

(a) Balance represents loans from non-controlling interests of subsidiaries, which are unsecured. As at 30 June 2021 and 31 December 2020, loans from non-controlling interests of subsidiaries bore interest rate at 8% per annum.

(b) The aging analysis of the trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2021 *RMB'000*	Audited As at 31 December 2020 *RMB'000*
Trade payables		
— Up to 3 months	**104,020**	114,533
— 3 to 6 months	**46,362**	25,678
— 6 months to 1 year	**18,188**	5,952
— 1 to 2 years	**3,836**	5,078
— 2 to 3 years	**3,483**	2,702
— Over 3 years	**9,928**	9,454
	185,817	163,397

The trade and other payables are usually paid within 60 days of recognition. As at 30 June 2021 and 31 December 2020, the fair value of all trade and other payables approximated to their carrying amount.

14 Revenue

Revenue of the Group consists of the following:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
General Hospital		
Outpatient pharmaceutical revenue	**31,243**	21,990
Outpatient service revenue	**41,429**	29,960
Inpatient pharmaceutical revenue	**136,024**	111,866
Inpatient service revenue	**121,461**	88,594
Medical Examination Centers		
Examination service revenue	**610,542**	289,913
Management service revenue and others	**294**	229
Specialty Hospitals		
Outpatient pharmaceutical revenue	**5,187**	1,106
Outpatient service revenue	**17,469**	10,120
Inpatient pharmaceutical revenue	**490**	398
Inpatient service revenue	**35,394**	29,084
	999,533	583,260

15 Expenses by nature

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Employee benefits expenses	**401,163**	334,412
Depreciation and amortization	**189,420**	181,885
Pharmaceutical costs	**112,783**	78,854
Medical consumables costs	**65,017**	44,150
Outsourcing testing expenses	**59,223**	30,592
Utility expenses	**33,684**	29,609
Office expenses	**19,815**	11,049
Advertising expenses	**11,541**	2,008
Professional service charges	**8,896**	9,627
Maintenance expenses	**6,920**	3,574
Net impairment losses/(reversals) on receivables	**4,305**	(3,237)
Entertainment expenses	**3,682**	3,091
Travel expenses	**2,823**	1,606
Stamp duty and other taxes	**1,856**	1,691
Short-term or low-value operating lease rentals	**1,742**	2,089
Auditor's remuneration	**472**	664
Revaluation of lease contract	**(2,642)**	—
COVID-19-related rent concessions	**—**	(15,572)
Impairment losses on property and equipment	**—**	15,123
Other expenses	**11,552**	12,989
	932,252	744,204

16 Finance costs — net

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**48,319**	52,139
Interest on borrowings	**39,192**	32,190
Interest on other financial liabilities	**7,508**	6,739
	95,019	91,068
Amount capitalised	**(15,284)**	(8,885)
	79,735	82,183
Net exchange losses	**3,945**	—
Finance costs	**83,680**	82,183
Interest income	**(2,559)**	(4,757)
Net exchange gains	**—**	(6,054)
Finance income	**(2,559)**	(10,811)
Finance costs — net	**81,121**	71,372

17 Income tax expense

The amount of income tax expense recognised in the interim condensed consolidated statement of profit or loss represents:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
— Current period	**35,094**	14,630
— Adjustments for current tax of prior years	**(208)**	(293)
Deferred income tax	**(9,218)**	10,600
Income tax expense	**25,668**	24,937

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(4,390)**	(225,276)
Tax calculated at the applicable income tax rate (25%)	**(1,097)**	(56,319)
Tax effect of:		
Tax loss expired	**—**	1,834
Income not subject to tax	**(205)**	(822)
Expenses not deductible for tax purpose	**5,548**	2,525
Utilization/recognition of tax losses and temporary differences not recognised as deferred tax assets in prior years	**(1,812)**	(1,678)
Temporary differences not recognised as deferred tax assets	**605**	11,448
Tax losses not recognised as deferred tax assets	**23,156**	68,242
Different tax rates of a subsidiary	**(319)**	—
Adjustment for prior years	**(208)**	(293)
Income tax expense	**25,668**	24,937

The corporate income tax rate applicable to the Group's subsidiaries located in mainland China is 25%.

18 Earnings/(loss) per share

(a) Basic

Basic earnings/loss per share is calculated by dividing the net profit/loss attributable to the owners of Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2020, respectively.

	Unaudited Six months ended 30 June 2021	2020
Net profit/(loss) attributable to owners of the Company *(RMB'000)*	**10,460**	(164,097)
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic earnings/(loss) per share *(RMB)*	**0.01**	(0.10)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the share option scheme assuming they were exercised.

For the six months ended 30 June 2021 and 2020, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, there would be no dilutive impact.

19 Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

The year of 2021 is the first year of the 14th Five-Year Plan Period, during which China will push forward with the further development of the healthcare sector. The pandemic in 2020 accelerated the industry integration. Leading medical institutions not only recovered quickly from the pandemic, but also are expected to acquire the demand unleashed by competitors' setback to further grow bigger and stronger.

As far as the hospital industry is concerned, benefitting from the government's policies encouraging the establishment of private medical institutions, China's large population base, as well as increasing spending power and health awareness, private hospitals have seen vigorous development and have gradually become a very important part of the Chinese medical service resources. According to the official data from the National Health Commission of the PRC (中國國家衛生健康委員會), as of the end of March 2021, there were approximately 36,000 hospitals in China, comprising 12,000 public hospitals and 24,000 private hospitals, representing a decrease of 76 public hospitals and an increase of 1,246 private hospitals, respectively, as compared to the end of March 2020. During the first three months of 2021, the total number of patient visits in China reached 940 million, representing a year-on-year increase of 52.3%, of which 800 million and 140 million visits took place in public and private hospitals, respectively, representing a year-on-year increase of 52.4% and 51.6%, respectively.

As for the medical examination sector, although some regions of Guangdong Province were still affected by the pandemic in the Reporting Period, the overall medical examination industry recovered and developed. With the shift of medical model to prevention-oriented health management, the whole society is paying more attention to the prevention of severe infectious diseases and the early screening of chronic disease risk factors. In addition, as the traditional medical examination industry was in the off-season in the first half of this year, the market demand for medical examination services has not yet been fully unleashed. The medical examination market is still expected to grow.

In terms of the obstetrics, gynecology and pediatrics ("**OGP**") industry, as the third-child policy was introduced in the Reporting Period, the demand for maternal and child healthcare and medical services will gain growth momentum. The relevant demand in the Yangtze River Delta region increased significantly. Increasingly more importance will be attached to the health of women at the age for childbearing and newborns in the long run. As medium and high-end products for women and children are still in short supply, the OGP industry remains a sunrise industry worth entering into.

General Hospital Business

Nantong Rich Hospital, also known as Nantong University Affiliated Rich Hospital (南通大學附屬瑞慈醫院), is the only high-level general hospital in the Nantong Economic and Technological Development Area. It is currently a Class III Grade B general hospital and also a designated hospital for medical insurance reimbursement and a National Standardized Medical Residency Training Coordination Base. Nantong Rich Hospital led the establishment of the Alliance for Gastrointestinal Cancer in March 2021 and launched the outpatient service for COVID-19 vaccination in April 2021. In addition, Nantong Rich Cancer Hospital officially launched and held a charity activity about massive cancer screening. The Phase II expansion project of Nantong Rich Hospital is proceeding smoothly. The functional zoning for women's and children's building of the hospital was completed during the Reporting Period with on-going decoration. The building is expected to be put into operation in the second half of 2021. The major structure of Nantong Rich Hospital's inpatient building and warehousing activity centre passed the acceptance check. The facilities will become operational in the second half of 2022. While expanding itself, the hospital prioritized the training of medical personnel and the improvement of its service quality. As of June 30, 2021, it had 991 in-service employees, including 303 doctors, 117 medical technicians and 445 nurses. The hospital has one Construction Project for National Key Clinical Specialty (國家臨床重點專科建設項目) (paediatric surgery), one Provincial Key Clinical Specialty under Construction (省級重點建設專科) (paediatrics), five Municipal Key Clinical Disciplines Specialties (市級臨床重點專科) (including paediatrics, orthopeadics, cardiothoracic surgery, cardiovascular medicine and nursing (paediatrics)), two Municipal Key Clinical Disciplines Specialties under Construction (市級臨床重點建設專科) (general surgery and neurology) and one Municipal Key Discipline under Construction (市級重點建設學科) (paediatric internal medicine). During the Reporting Period, the hospital vigorously carried out 20 new technology and specialty projects at the national, provincial and municipal levels (among them, there are three municipal new technology introduction awards in 2020, one for the second prize and two for the third prize; and 17 new projects were introduced in 2021, including four projects at the national level, five projects at the provincial level, two projects at the municipal level and six projects at the hospital level), and two ongoing research projects.

With the local rebound of COVID-19 epidemic, Nantong Rich Hospital kept its guard up against the virus, improved process control and actively promoted vaccination in the Reporting Period. During the Reporting Period, Nantong Rich Hospital provided services for 228,790 outpatient visits (corresponding period in 2020: 151,984) and 15,136 inpatient visits (corresponding period in 2020: 11,365), representing a year-on-year rise of 50.5% and 33.2%, respectively.

Leveraging the medical resources of Nantong Rich Hospital, the Group established Rich Meidi Elderly Care Centre and Nantong Rich Haemodialysis Centre to achieve synergy. As at June 30, 2021, Rich Meidi Elderly Care Centre has served 105 elderly people (as at June 30, 2020: 100) with an occupancy rate of 99.1% (as at June 30, 2020: 94.3%). During the Reporting Period, Nantong Rich Haemodialysis Centre provided dialysis services 8,419 times (corresponding period in 2020: 9,189), representing a decrease of 8.4% as compared with the same period of last year.

Medical Examination Business

The revenue of the medical examination business takes up the largest share of the Group's total revenue. In the Reporting Period, the medical examination chain segment continued its dual branding strategy by promoting its medium and high-end brand "Rici Medical Examination" and the high-end brand "MEDIC International Medical Examination (幸元會健康體檢)". In addition, the segment implemented a strategy of expanding in key markets. It kept strengthening its presence in Shanghai and Jiangsu and exploring the Greater Bay Area and other regional central cities.

As at June 30, 2021, the Group had 63 medical examination centres in China (as at June 30, 2020: 60), representing a year-on-year growth of 5.0%, among which 57 centres were under the operation in Reporting Period (corresponding period in 2020: 52), representing a year-on-year growth of 9.6%. The Group's medical examination business has presence in 28 cities which are mainly first-tier, new first-tier and second-tier cities.

During the Reporting Period, the total number of customer visits under the medical examination business was 1,185,452 (corresponding period in 2020: 590,617), representing a year-on-year increase of 100.7%, of which corporate customers accounted for around 71.3%. During the Reporting Period, the number of corporate and individual customers was 845,429 and 340,023, respectively (corresponding period in 2020: 439,860 and 150,757, respectively), representing an increase of 92.2% and 125.5%, respectively. The average spending per capita was RMB515.3 (corresponding period in 2020: RMB491.2).

Specialty Hospital Business

The Group's specialty hospital business, namely the OGP segment, established a comprehensive strategic partnership with Children's Hospital of Fudan University (復旦大學附屬兒科醫院), Obstetrics and Gynaecology Hospital of Fudan University (復旦大學附屬婦產科醫院) and Children's Hospital of Shanghai Jiao Tong University (上海交通大學附屬兒童醫院). Currently, there are three OGP hospitals under the segment, which are located in Changzhou, Shanghai and Wuxi, respectively. The three hospitals are aimed at providing OGP services for high-net-worth individuals, supported by medical-graded maternity care centres which are rare in the market.

The digestive endoscopy centre at Changzhou Rich Hospital passed the acceptance check during the Reporting Period. Meanwhile, the hospital will explore to offer customer-oriented and innovative outpatient services regarding private part care, preterm delivery, NT, 4D colour Doppler ultrasound, postpartum follow-up and so forth, as continuous efforts to promote the transformation from an OGP hospital to a general hospital. Shanghai Shuixian Obstetrics & Gynecology Hospital (上海瑞慈水仙婦兒醫院) officially set up an outpatient department for cervical diseases and invited five renowned cervical disease specialists to advise patients. In addition, actions have been taken to improve the diagnosis and treatment process of OGP departments, and optimize customer service to increase brand influence. Wuxi Rich Obstetrics & Gynecology Hospital (無錫瑞慈婦產醫院) officially set up a thyroid and breast surgery department and invited renowned anaesthetists in the city. Meanwhile, Wuxi Yuexin Confinement Service Centre (無錫瑞慈悦馨月子會所) opened 18 new guest rooms to solve room shortage during the Reporting Period. The specialty hospital business has a positive trend.

During the Reporting Period, revenue from the OGP segment increased as compared with that in the corresponding period of last year. The three OGP hospitals served a total of 27,544 outpatients (corresponding period in 2020: 17,903) and 502 inpatients (corresponding period in 2020: 652) during the Reporting Period, representing a year-on-year increase of 53.9% and a year-on-year decline of 23.0%, respectively. Their maternity care centres served 491 inpatients (corresponding period in 2020: 425), representing a year-on-year growth of 15.5%.

Prospects

Nantong Rich Hospital will focus on optimizing structure and improving internally to press ahead with the development of innovative projects. In terms of specialty development, the hospital will be active in developing new technologies and expanding its businesses, and strengthening the popularization of key brands in obstetrics, oncology, etc. Efforts will be made to boost the rapid growth of departments with major support and cooperative departments, and promote the construction of intelligent communities, medical consortiums and online hospitals. It will steadily develop regional markets, create online medical products and derivative medical products. All such efforts will further enhance competitiveness. As for medical quality management, a large customer service system will be established. It will take measures concerning medical quality and safety management, specialty development, lean management and so forth to constantly improve medical quality and management quality. In terms of talent team building, the hospital will use great efforts to introduce, recruit, train and retain talents, improve the talent training system and team building, optimize the structure of personnel in key positions and hire urgently-needed personnel, with a view to constantly improve soft power. Nantong Rich Hospital has been moving towards a teaching general hospital, striving to become a high-level regional hospital that enjoys basically the same reputation with Affiliated Hospital of Nantong University and Nantong First People's Hospital and serving more than 10 million people. The Phase II expansion project of Nantong Rich Hospital is progressing smoothly. The number of beds is expected to increase significantly upon completion of the construction, which will solve the current problem of bed shortage.

The private medical examination industry, which has seen a relatively fierce exogenous expansion in the recent years, has turned into a model of endogenous growth. On one hand, internet will enable the number of 2C customers in the medical examination industry to increase greatly. On the other hand, the average cost of medical examination in China is still very low compared to that in developed markets, and residents will have increasingly greater willingness for high-quality medical examination services and products. In this context, the Group's medical examination chain segment will, on one hand, continue carrying out its dual branding strategy by promoting its medium and high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC" to meet Chinese consumers' demand for more accurate and personalized medical examination services; on the other hand, it will strengthen its presence in Shanghai and Jiangsu, expand its footprint in Zhejiang and the Greater Bay Area, and strategically tap into other key cities.

With the implementation of the third-child policy, OGP hospitals, especially high-end OGP services, will become a new driver of growth for the Group, driven by demands and favourable factors. The OGP segment of the Group aims to become the leading private OGP brand in the Yangtze River Delta region. In the short term, the pace to build general hospitals in the OGP segment will be accelerated, in a bid to achieve the development goal of mutual support between large specialty hospitals and small general hospitals. Besides, relying on customer satisfaction, reputation and brand influence, the segment will actively drive customer conversion to achieve high-quality development. For the long run, Shanghai Shuixian Obstetrics & Gynaecology Hospital will serve as the flagship hospital of the OGP segment providing a talent training platform and a technical support platform for the segment. Changzhou Rich Hospital will strive to build itself into a localized specialty hospital; in the meantime, Wuxi Rich Obstetrics & Gynaecology Hospital will make more efforts to gain brand influence locally.

FINANCIAL REVIEW

Revenue

We derive revenue mainly from our general hospital business, medical examination business and specialty hospital business. The following table sets forth the components of our revenue by operating segments for the periods indicated:

	Six months ended June 30,		
	2021	2020	**Percentage change**
	(RMB'000)	*(RMB'000)*	
General Hospital Business	**339,965**[1]	258,860[1]	31.3%
Medical Examination Business	**610,836**	290,142	110.5%
Specialty Hospital Business	**58,540**	40,708	43.8%
Inter-segment	**(9,808)**	(6,450)	52.1%
Total	**999,533**	583,260	71.4%

Note:

(1) Included the revenue from hemodialysis business.

Our revenue grew by 71.4% from RMB583.3 million for the six months ended June 30, 2020 to RMB999.5 million for the Reporting Period. This is largely because our medical examination centers across China were unable to resume normal operations due to the pandemic in the six months ended June 30, 2020 and they resumed normal operations in the Reporting Period.

Revenue from the general hospital business for the Reporting Period amounted to RMB330.2 million, representing an increase of 30.8% from RMB252.4 million for the corresponding period in 2020, excluding inter-segment revenue of RMB9.8 million and RMB6.5 million for the six months ended June 30, 2021 and 2020, respectively. The number of inpatient visits increased by 3,771, with revenue per inpatient falling by 3.6% and inpatient revenue growing by RMB57.0 million. Meanwhile, the number of outpatient visits increased by 76,806, revenue per outpatient fell by 7.1%, and outpatient revenue increased by RMB20.7 million.

Revenue from the medical examination business for the Reporting Period amounted to RMB610.8 million, representing a surge of 110.5% from RMB290.1 million for the corresponding period in 2020. This is mainly because our medical examination centers across China were unable to resume normal operations due to the pandemic in the six months ended June 30, 2020 and they resumed normal operations in the Reporting Period.

Revenue from the specialty hospital business for the Reporting Period amounted to RMB58.5 million (corresponding period in 2020: RMB40.7 million). For the Reporting Period, to our specialty hospitals, revenue generated from outpatient visits and inpatient visits were RMB22.7 million and RMB35.8 million, respectively.

Cost of Sales

Cost of sales primarily consists of pharmaceuticals and medical consumables costs, staff costs and depreciation and amortization expenses. The following table sets forth a breakdown of cost of sales by operating segments for the periods indicated:

	Six months ended June 30,		
	2021	2020	**Percentage change**
	(RMB'000)	*(RMB'000)*	
General Hospital Business	**248,624**[(1)]	182,184[(1)]	36.5%
Medical Examination Business	**387,359**	280,185	38.3%
Specialty Hospital Business	**100,752**	85,374	18.0%
Inter-segment	**(9,808)**	(6,450)	52.1%
Total	**726,927**	541,293	34.3%

Notes:

(1) Included the cost of sales of hemodialysis business.

Our cost of sales increased by 34.3% from RMB541.3 million for the six months ended June 30, 2020 to RMB726.9 million for the Reporting Period.

Cost of sales of the general hospital business during the Reporting Period amounted to RMB248.6 million, representing an increase of 36.5% from RMB182.2 million during the corresponding period in 2020. The increase was mainly due to a rise in the pharmaceutical costs caused by growing revenue in the Reporting Period.

Cost of sales of the medical examination business during the Reporting Period was RMB387.4 million, representing an increase of 38.3% from RMB280.2 million during the corresponding period of 2020. The main reason is that revenue from the medical examination business during the Reporting Period surged by 110.5% from the corresponding period in 2020, and the labour costs, medical consumables costs and outsourcing testing expenses of the medical examination business grew largely in line with the expansion of the business scale.

Cost of sales of the specialty hospitals business amounted to RMB100.8 million during the Reporting Period, representing an increase of 18.0% from RMB85.4 million during the corresponding period in 2020. This is largely because a growth in revenue led to a rise in the remuneration costs of medical personnel, pharmaceutical costs and medical consumables costs.

Gross Profit

Our gross profit surged from RMB42.0 million for the six months ended June 30, 2020 to RMB272.6 million for the Reporting Period. Gross profit margin grew by 20.1 percentage points from 7.2% for the six months ended June 30, 2020 to 27.3% for the Reporting Period. As revenue from the medical examination business fell sharply in the corresponding period in 2020 due to the pandemic and its fixed costs basically remained flat, our gross profit margin was low for the corresponding period in 2020. But as revenue from the segment increased significantly in the Reporting Period, the gross profit margin also went up.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses amounted to RMB88.5 million during the Reporting Period, as compared to RMB 70.3 million for the corresponding period in 2020. The growth was mainly due to the fact that labour costs and advertising expenses returned to normal in Reporting Period, whereas such expenses remained at a low level as a result of the pandemic during the corresponding period in 2020.

Administrative Expenses

Our administrative expenses amounted to RMB112.6 million during the Reporting Period, as compared to RMB135.9 million for the corresponding period in 2020, and the decrease was mainly due to provision for impairment of long-term assets of RMB15.1 million for the corresponding period in 2020, whereas there was no impairment loss recognised for the Reporting Period.

Other Income

Our other income, which mainly comprised government subsidies and rental income, amounted to RMB10.5 million during the Reporting Period (corresponding period in 2020: RMB9.4 million).

Other Losses

Our other losses during the Reporting Period amounted to RMB1.2 million, as compared to other losses of RMB2.6 million for the corresponding period in 2020. Other losses mainly represented losses on disposal of leasehold improvements and other miscellaneous losses.

Finance Costs — Net

Our net finance costs amounted to RMB81.1 million during the Reporting Period, as compared to the net finance costs of RMB71.4 million for the corresponding period in 2020. The exchange losses amounted to RMB3.9 million during the Reporting Period, representing an increase of RMB10.0 million from the exchange gains RMB6.1 million for the corresponding period in 2020.

Share of Results

For the Reporting Period, the Group recognised a share of profit of RMB0.2 million from investments accounted for using equity method (corresponding period in 2020: RMB0.2 million) in its consolidated results, mainly due to the operating profit of RMB0.4 million of Nantong Meidi, a subsidiary of a joint venture of the Group, whose business operation has been stable since its establishment in the second half of 2014. However, Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services, incurred an operating loss of RMB0.2 million.

Income Tax Expense

For the Reporting Period, income tax expense amounted to RMB25.7 million (corresponding period in 2020: income tax expense of RMB24.9 million). The increase in income tax expense was mainly due to an increase in current income tax during the Reporting Period.

Loss for the Period

For the foregoing reasons, we recorded a net loss of RMB30.1 million during the Reporting Period (corresponding period in 2020: a net loss of RMB250.2 million). The substantial drop in net loss is mainly due to a surge of 71.4% in revenue for the Reporting Period as compared to revenue for the corresponding period in 2020.

Adjusted EBITDA

To supplement our interim condensed consolidated financial information which are presented in accordance with HKAS 34 Interim Financial Reporting, we use adjusted EBITDA as an additional financial measure. We define adjusted EBITDA as loss/profit for the period before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA is not an alternative to (i) loss/profit before income tax or loss/profit for the period (as determined in accordance with HKFRSs) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance or liquidity. The following table reconciles our loss for the periods under HKFRSs to our definition of adjusted EBITDA for the periods indicated.

	Six months ended June 30,	
	2021	2020
	(RMB'000)	*(RMB'000)*
Calculation of adjusted EBITDA		
Loss for the period	**(30,058)**	(250,213)
Adjustments to the following items:		
Income tax expense	**25,668**	24,937
Finance costs — net	**81,121**	71,372
Depreciation and amortization	**189,420**	181,885
Pre-opening expenses and EBITDA loss of soft-opening (1)	**1,936**	9,407
Share option expenses	**8,538**	12,273
Adjusted EBITDA	**276,625**	49,661
Adjusted EBITDA margin (2)	**27.7%**	8.5%

Notes:

(1) Primarily represents (a) the pre-opening expenses, such as staff costs and rental expenses, incurred in the applicable period in connection with the construction of medical examination centers; and (b) the EBITDA loss incurred during the period when the newly opened medical examination centers commenced their operations.

(2) The calculation of adjusted EBITDA margin is based on adjusted EBITDA divided by revenue and multiplied by 100%.

Adjusted EBITDA amounted to RMB276.6 million during the Reporting Period, representing a surge of 457.0% from RMB49.7 million for the corresponding period in 2020. This is largely because the Group suffered a heavy loss in the corresponding period in 2020 due to the pandemic, but its loss was reduced as a result of a significant increase in revenue for the Reporting Period.

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at June 30, 2021, the property and equipment of the Group amounted to RMB1,370.6 million, representing an increase of RMB127.9 million as compared to RMB1,242.7 million as at December 31, 2020. The increase of properties and equipment was primarily due to the second phase expansion project of Nantong Rich Hospital.

Trade Receivables

As at June 30, 2021, the trade receivables of the Group amounted to RMB288.9 million, representing an increase of RMB6.2 million as compared to RMB282.7 million as at December 31, 2020.

Net Current Liabilities

As at June 30, 2021, the Group's current liabilities exceeded its current assets by RMB830.6 million (as at December 31, 2020: RMB737.7 million). The increase of the Group's net current liabilities were mainly due to a decline in monetary funds as at the end of the Reporting Period. The funds were used in the second phase expansion project of Nantong Rich Hospital and purchase of medical equipments.

Liquidity and Capital Resources

As at June 30, 2021, the Group had cash and cash equivalents of RMB478.9 million (as at December 31, 2020: RMB561.8 million), with available unused bank facilities of RMB390.0 million (as at December 31, 2020: RMB162.4 million). As at June 30, 2021, the Group had outstanding borrowings of RMB1,283.6 million (as at December 31, 2020: RMB1,285.2 million), with non-current portion of long-term borrowings of RMB520.2 million (as at December 31, 2020: RMB546.3 million). Based on the Group's past experience and good credit standing, the Directors are confident that such bank facilities could be renewed or extended for at least 12 months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimise the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to Note 8 to the interim condensed consolidated financial information.

Significant Investments, Material Acquisitions and Disposals

For the Reporting Period, the Group did not have any significant investment, material acquisition or disposal.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB290.0 million (corresponding period in 2020: RMB132.6 million), primarily due to (i) the second phase expansion project of Nantong Rich Hospital; (ii) purchases of medical equipment as well as renovation for our medical examination centers; and (iii) the lease of business premises for new medical examination centers.

As at June 30, 2021, the Group had a total capital commitment of RMB80.4 million (as at December 31, 2020: RMB74.7 million), mainly comprising the related contracts of the second phase expansion project of Nantong Rich Hospital and the leasehold improvement.

Borrowings

As at June 30, 2021, the Group had total bank and other borrowings of RMB1,283.6 million (as at December 31, 2020: RMB1,285.2 million). Please refer to Note 11 to the interim condensed consolidated financial information for more details.

Contingent Liabilities

The Group had no material contingent liability as at June 30, 2021 (as at December 31, 2020: Nil).

Financial Instruments

The Group did not have any financial instruments as at June 30, 2021 (as at December 31, 2020: Nil).

Gearing Ratio

As at June 30, 2021, on the basis of net debt divided by total capital, the Group's gearing ratio was 88.3% (as at December 31, 2020: 87.1%). The increase of gearing ratio was mainly due to a decline in monetary funds during the Reporting Period. The funds were used in the second phase expansion project of Nantong Rich Hospital and the purchase of medical equipments.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to changes in interest rates is mainly attributable to our bank borrowings and lease liabilities.

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at June 30, 2021, borrowings of RMB890,583,000 were with floating interest rates (as at December 31, 2020: RMB934,692,000). We did not hedge our cash flow and fair value interest rate risk in the Reporting Period.

Foreign Exchange Risk

For the Reporting Period, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits from the Company's initial public offering on October 6, 2016 (the "**IPO**"), which were denominated in Hong Kong dollar, and the bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

We have no significant concentration of credit risk. The carrying amount of cash and cash equivalents, trade and other receivables and deposits from long-term leases represent our maximum exposure to credit risk in relation to our financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents were deposited in the major financial institutions, which the directors believe are of high credit quality.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information. The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group also considers available reasonable and supportive forward-looking information.

The credit risk of hospital business is related to the recoverability of trade receivables and other receivables. The credit risk of medical examination business is related to the length of the overdue period of trade receivables from corporate customers and other receivables.

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital contribution from the shareholders of the Company (the "**Shareholders**"), as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB4,062.8 million as at June 30, 2021 (as at December 31, 2020: RMB4,224.3 million).

Pledge of Assets

As at June 30, 2021, the Group had assets with a total carrying amount of RMB177,029,000 (as at December 31, 2020: assets of RMB159,314,000) and restricted deposits with an amount of USD32,550,000 (as at December 31, 2020: restricted deposits of USD38,650,000) pledged for the Group's borrowings.

Besides, the Group had 22.06% equity interest in Nantong Rich Hospital (as at December 31, 2020: 22.06%) secured to guarantee the exercise of the option right granted to Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業 (有限合夥)). For details, please refer to the announcement of the Company dated September 3, 2018.

HUMAN RESOURCES

The Group had 7,373 employees as of June 30, 2021, as compared to 7,162 employees as of December 31, 2020. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share option scheme and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

USE OF PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. During the Reporting Period, the net proceeds from the listing were utilized in accordance with the intended use which was disclosed in the first place in the Company's prospectus dated September 26, 2016 and subsequently changed and disclosed in the Company's announcements dated February 18, 2020 and June 15, 2021 (the "**Announcements**"), with the balance amounting to approximately RMB125.3 million. As disclosed in the Announcements, the remaining unutilized net proceeds from the IPO will be used in accordance with the Group's development strategies, market conditions and intended use of such proceeds, whose details are set out in the table below, and are expected to be fully utilized on or before December 31, 2022:

	Net amount available as at December 31, 2020	**Actual amount utilized during the Reporting Period**	**Unutilized amount as at June 30, 2021**
	RMB'000	*RMB'000*	*RMB'000*
Nantong Rich Hospital Expansion Phase II Project	65,256	—	65,256
General Working Capital	60,000	—	60,000
Establishment of new medical examination centers and upgrading and renovation of existing medical examination centers	60,000	60,000	—
Total	185,256	60,000	125,256

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period.

SUBSEQUENT EVENT

The Company is not aware of any significant event after the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibility between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and the chief executive officer and Dr. Fang performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang is beneficial to the Group for implementing its new business strategies given his abundant experience in the healthcare industry and longtime and substantive involvement in the day to day management and operation of the Group. In addition, the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and capable individuals independent from Dr. Fang (except his spouse, Dr. Mei, and his son, Mr. Fang Haoze). The Board comprised four executive Directors and three independent non-executive Directors as at the date of this announcement and has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

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

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

REVIEW OF INTERIM FINANCIAL INFORMATION

Audit Committee

The audit committee of the Board, comprising Ms. Wong Sze Wing, Mr. Jiang Peixing and Dr. Wang Yong, has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period.

Auditor

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim condensed consolidated financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at ***www.hkexnews.hk*** and on the website of the Company at ***www.rich-healthcare.com***. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Rici Healthcare Holdings Limited
Fang Yixin
Chairman and Chief Executive Officer

Shanghai, the PRC, August 31, 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Fang Yixin, Dr. Mei Hong, Mr. Fang Haoze and Ms. Lin Xiaoying; and three independent non-executive Directors, namely Dr. Wang Yong, Mr. Jiang Peixing and Ms. Wong Sze Wing.