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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2021 was RMB2,506.5 million, representing an increase of 30.2% from RMB1,925.2 million for the year ended December 31, 2020.
- Gross profit for the year ended December 31, 2021 was RMB899.1 million, representing an increase of 54.8% from RMB580.7 million for the year ended December 31, 2020.
- Profit attributable to owners of the Company for the year ended December 31, 2021 amounted to RMB181.6 million, as compared to loss attributable to owners of the Company of RMB7.9 million for the year ended December 31, 2020.
- Adjusted EBITDA for the year ended December 31, 2021 was RMB787.1 million, representing an increase of 68.1% from RMB468.2 million for the year ended December 31, 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**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2021 (the "**Reporting Period**") with the comparative figures for the year ended December 31, 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	15	**2,506,522**	1,925,190
Cost of sales	16	**(1,607,397)**	(1,344,526)
Gross profit		**899,125**	580,664
Distribution costs and selling expenses	16	**(281,342)**	(226,319)
Administrative expenses	16	**(248,437)**	(294,154)
Net impairment (losses)/reversals on financial assets	16	**(1,801)**	1,340
Other income		**21,870**	23,325
Other losses		**(6,035)**	(9,076)
Operating profit		**383,380**	75,780
Finance costs	17	**(163,685)**	(193,842)
Finance income	17	**6,979**	8,464
Finance costs — net	17	**(156,706)**	(185,378)
Share of results of investments accounted for using equity method		**803**	775
Profit/(loss) before income tax		**227,477**	(108,823)
Income tax (expense)/credit	18	**(101,372)**	16,326
Profit/(loss) for the year		**126,105**	(92,497)
Profit/(loss) attributable to:			
Owners of the Company		**181,553**	(7,876)
Non-controlling interests		**(55,448)**	(84,621)
		126,105	(92,497)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
— Basic and diluted	19	**RMB0.11**	RMB(0.00)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) for the year	**126,105**	(92,497)
Other comprehensive income, or loss	**—**	—
Total comprehensive income/(loss) for the year	**126,105**	(92,497)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**181,553**	(7,876)
Non-controlling interests	**(55,448)**	(84,621)
	126,105	(92,497)

CONSOLIDATED BALANCE SHEET

As at December 31, 2021

		As at 31 December	
	Note	**2021**	2020
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,498,990**	1,242,707
Right-of-use assets	4	**1,275,275**	1,357,374
Intangible assets		**10,871**	11,078
Investments accounted for using equity method		**8,703**	7,900
Financial assets at fair value through profit or loss		**1,500**	4,500
Deposits for long-term leases		**44,324**	39,589
Deferred tax assets	5	**213,488**	235,022
Prepayments	9	**41,310**	105,270
		3,094,461	3,003,440
Current assets			
Inventories		**50,994**	43,712
Trade receivables	6	**346,319**	282,653
Other receivables	7	**48,876**	33,159
Prepayments	9	**37,525**	28,152
Amounts due from related parties		**5,909**	5,872
Cash and cash equivalents	8	**771,264**	561,819
Restricted cash	8	**180,851**	252,187
		1,441,738	1,207,554
Total assets		**4,536,199**	4,210,994
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	**1,065**	1,065
Reserves		**676,435**	504,744
		677,500	505,809
Non-controlling interests		**(90,074)**	(173,369)
Total equity		**587,426**	332,440

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**474,721**	546,279
Lease liabilities	12	**1,204,422**	1,257,170
Other financial liabilities		**145,464**	129,879
Deferred income		**94,076**	—
		1,918,683	1,933,328
Current liabilities			
Borrowings	11	**774,202**	738,913
Lease liabilities	12	**289,952**	266,784
Contract liabilities	13	**405,294**	292,690
Trade and other payables	14	**500,729**	599,848
Amounts due to related parties		**134**	134
Income tax payables		**54,174**	23,237
Deferred income		**5,605**	23,620
		2,030,090	1,945,226
Total liabilities		**3,948,773**	3,878,554
Total equity and liabilities		**4,536,199**	4,210,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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.

These consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2021 but are extracted from these financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) *Going concern*

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB588,352,000. Contract liabilities and deferred income included in current liabilities of the Group as at 31 December 2021 amounting to RMB410,899,000 are 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 consolidated financial statements.

(b) *New and amended standards adopted by the Group*

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

- 2021 Amendments to HKFRS16 — Regarding COVID-19 Related Rent Concessions beyond 30 June 2021

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

(c) ***New standards and interpretations not yet adopted***

Certain new accounting standards and amendments of HKFRSs have been published but are not mandatory for 31 December 2021 and have not been early adopted by the Group.

		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	Applied when an entity applies "Classification of Liabilities as Current or Non-current — Amendments to HKAS 1"
Amendments to HKAS 1	Regarding classification of liabilities as current or non-current	1 January 2023 (deferred from 1 January 2022)
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
HKFRS 17	Insurance contracts	1 January 2023 (deferred from 1 January 2021)
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
Revised Accounting Guideline 5	Regarding merger accounting for common control combinations (AG 5)	1 January 2022

These new standard and amendments described above are either currently not relevant to the Group or are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future.

3 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 expense 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 statements. These assets are allocated based on the operation of segments. Certain assets and liabilities related to some companies 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 Centre Co., Ltd.

(b) Medical examination centres

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

(c) Specialty hospitals

The business of this segment is in Shanghai City 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 year ended 31 December 2021 and 2020, and the segment assets and liabilities at the respective balance sheet dates.

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 centres *RMB'000*	Specialty hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021						
Revenue	704,209	1,696,363	129,315	—	(23,365)	2,506,522
Timing of revenue recognition						
At a point in time	704,209	1,696,363	84,356	—	(23,365)	2,461,563
Over time	—	—	44,959	—	—	44,959
	704,209	1,696,363	129,315	—	(23,365)	2,506,522
Segment profit/(loss)	174,974	558,739	(115,916)	(14)	—	617,783
Administrative expenses						(248,437)
Net impairment losses on financial assets						(1,801)
Interest income						6,979
Interest expenses						(155,180)
Net exchange losses						(8,505)
Profit before income tax						227,477
Income tax expense						(101,372)
Profit for the year						126,105

	General hospital *RMB'000*	Medical examination centres *RMB'000*	Specialty hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 31 December 2021						
Segment assets	1,606,219	3,115,328	838,013	839,222	(1,862,583)	4,536,199
Segment liabilities	992,851	2,770,110	929,265	236,495	(979,948)	3,948,773
Other information						
Addition to property and equipment, right-of-use assets and intangible assets	274,919	302,908	14,832	—	—	592,659
Depreciation and amortisation	28,203	279,450	76,858	—	—	384,511

	General hospital *RMB'000*	Medical examination centres *RMB'000*	Specialty hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020						
Revenue	579,927	1,278,598	94,959	—	(28,294)	1,925,190
Timing of revenue recognition						
At a point in time	579,927	1,278,598	56,733	—	(28,294)	1,886,964
Over time	—	—	38,226	—	—	38,226
	579,927	1,278,598	94,959	—	(28,294)	1,925,190
Segment profit/(loss)	155,681	310,391	(111,627)	(100)	—	354,345
Administrative expenses						(294,154)
Net impairment reversals on financial assets						1,340
Interest income						8,464
Interest expenses						(167,602)
Net exchange losses						(26,240)
Loss before income tax						(108,823)
Income tax credit						16,326
Loss for the year						(92,497)

	General hospital *RMB'000*	Medical examination centres *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
Other information						
Addition to property and equipment, right-of-use assets and intangible assets	207,751	81,925	7,247	—	—	296,923
Depreciation and amortisation	23,919	277,413	70,208	—	—	371,540

4 RIGHT-OF-USE ASSETS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Properties	**1,251,864**	1,291,328
Equipment	**20,413**	62,948
Land use rights	**2,998**	3,098
	1,275,275	1,357,374

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
Year ended 31 December 2021				
Opening net book amount	**1,291,328**	**62,948**	**3,098**	**1,357,374**
Additions	**189,143**	**—**	**—**	**189,143**
Transfer	**—**	**(35,726)**	**—**	**(35,726)**
Revaluation	**(15,256)**	**—**	**—**	**(15,256)**
Disposal	**(14,597)**	**—**	**—**	**(14,597)**
Depreciation	**(198,754)**	**(6,809)**	**(100)**	**(205,663)**
Closing net book amount	**1,251,864**	**20,413**	**2,998**	**1,275,275**
At 31 December 2021				
Cost	**1,784,702**	**32,445**	**4,698**	**1,821,845**
Accumulated depreciation	**(532,838)**	**(12,032)**	**(1,700)**	**(546,570)**
Net book amount	**1,251,864**	**20,413**	**2,998**	**1,275,275**

(a) As at 31 December 2021, land with a total carrying amount of RMB2,998,000 (31 December 2020: Nil) were pledged for the Group's borrowings.

5 DEFERRED TAX ASSETS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**138,572**	167,553
Right-of-use assets and lease liabilities	**41,592**	36,188
	180,164	203,741
Others		
Share option scheme	**24,834**	20,684
Loss allowances for financial assets	**3,059**	3,323
Deferred income	**1,401**	3,950
Impairment of property and equipment	**1,597**	548
Others	**2,433**	2,776
	33,324	31,281
Total deferred tax assets	**213,488**	235,022

6 TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**359,616**	297,014
Less: Loss allowance	**(13,297)**	(14,361)
	346,319	282,653

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

The aging analysis of trade receivables based on the date the relevant services were rendered are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
— Up to 6 months	**340,296**	274,740
— 6 months to 1 year	**11,258**	10,350
— 1 to 2 years	**4,423**	7,703
— 2 to 3 years	**977**	1,191
— Over 3 years	**2,662**	3,030
	359,616	297,014

7 OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loans to non-controlling interests of subsidiaries	**16,000**	—
Deposits	**13,095**	13,041
Advances to staff	**6,049**	5,990
Prepaid value-added tax recoverable and refundable	**4,667**	6,242
Interest receivables	**1,772**	843
Note receivable	**400**	—
Others	**8,649**	7,160
	50,632	33,276
Less: Loss allowance	**(1,756)**	(117)
	48,876	33,159

The carrying amounts of the Group's other receivables are denominated in RMB.

As at 31 December 2021 and 2020, the fair value of other receivables of the Group approximated to their carrying amounts.

8 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**626,408**	429,393
— Denominated in USD	**141,940**	129,021
— Denominated in HKD	**2,916**	3,405
	771,264	561,819

(b) Restricted cash

As at 31 December 2021, fixed deposits of USD10,250,000 (equivalent to RMB65,351,000) and RMB115,500,000 (31 December 2020: USD38,650,000, equivalent to RMB252,187,000) were pledged at banks for the Group's borrowings of RMB170,000,000 (31 December 2020: RMB220,000,000).

9 PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current:		
Prepayment for property and equipment	**41,310**	105,270
Current:		
Prepayment for consumables	**10,662**	7,424
Prepayment for equity transaction with non-controlling interests of subsidiaries	**—**	8,833
Others	**26,863**	11,895
	37,525	28,152
Total prepayments	**78,835**	133,422

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

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

11 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current:		
Bank borrowings — secured and/or guaranteed	**501,497**	526,557
Other borrowings — secured and guaranteed	**99,926**	93,085
Less: Current portion of non-current borrowings	**(126,702)**	(73,363)
	474,721	546,279
Current:		
Bank borrowings — secured and/or guaranteed	**647,500**	665,550
Add: Current portion of non-current borrowings	**126,702**	73,363
	774,202	738,913
Total borrowings	**1,248,923**	1,285,192

All the borrowings are denominated in RMB and their fair value approximated to their carrying amounts.

12 LEASE LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**289,952**	266,784
After 1 year but within 2 years	**242,742**	228,313
After 2 years but within 5 years	**534,478**	525,785
After 5 years	**427,202**	503,072
	1,494,374	1,523,954

13 CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sales of medical examination cards	**309,476**	191,742
Advances from medical examination customers	**91,248**	86,558
Advances from hospital patients	**4,570**	14,390
	405,294	292,690

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables due to third parties (b)	**189,173**	163,397
Staff salaries and welfare payables	**101,527**	131,634
Payables for purchase of property and equipment	**92,469**	83,834
Deposits payable	**22,833**	20,414
Accrued taxes other than income tax	**10,558**	10,943
Accrued professional service fees	**2,280**	2,430
Interest payables	**1,576**	2,256
Accrued advertising expenses	**1,116**	1,924
Loans from non-controlling interests of subsidiaries (a)	**—**	94,258
Others	**79,197**	88,758
	500,729	599,848

(a) Balance represents loans from the non-controlling interests of subsidiaries, which are unsecured. As at 2020, loans from non-controlling interests bore the interest rate at 8% per annum. In 2021, the minority shareholder of Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("**Changzhou Rich Hospital**") and Wuxi Rich Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. ("**Wuxi Rich Obstetrics & Gynecology Hospital**") transferred the borrowings of RMB119,618,000 to capital contribution.

The carrying amounts of the Group's trade and other payables are denominated in RMB.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
— Up to 3 months	**113,696**	114,533
— 3 to 6 months	**40,788**	25,678
— 6 months to 1 year	**13,614**	5,952
— 1 to 2 years	**8,019**	5,078
— 2 to 3 years	**1,289**	2,702
— Over 3 years	**11,767**	9,454
	189,173	163,397

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

15 REVENUE

Revenue of the Group consists of the following:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
General hospital		
Outpatient pharmaceutical revenue	**67,105**	49,817
Outpatient service revenue	**90,805**	64,139
Inpatient pharmaceutical revenue	**275,724**	239,170
Inpatient service revenue	**247,210**	198,507
Medical examination centres		
Examination service revenue	**1,694,789**	1,275,521
Management service revenue and others	**1,574**	3,077
Specialty hospitals		
Outpatient pharmaceutical revenue	**13,407**	3,918
Outpatient service revenue	**36,955**	25,089
Inpatient pharmaceutical revenue	**1,105**	989
Inpatient service revenue	**77,848**	64,963
	2,506,522	1,925,190

16 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Employee benefit expenses	**922,567**	794,480
Depreciation and amortisation	**384,511**	371,540
Pharmaceutical costs	**234,962**	177,116
Outsourced testing expenses	**163,776**	125,619
Medical consumables costs	**139,879**	119,228
Utility expenses	**75,042**	65,748
Advertising expenses	**71,810**	39,555
Office expenses	**31,775**	35,674
Professional service charges	**26,071**	64,381
Entertainment expenses	**16,907**	10,658
Maintenance expenses	**16,075**	12,879
Travel expenses	**9,018**	8,665
Labour union dues	**4,846**	3,232
Stamp duty and other taxes	**4,054**	3,245
Short-term or low-value operating lease rentals	**3,421**	5,706
Auditor's remuneration		
— Audit services	**2,280**	2,321
— Non-audit services	**317**	587
Laundry expenses	**2,154**	2,268
Net impairment losses/(reversals) on financial assets	**1,801**	(1,340)
Security costs	**1,471**	1,342
Revaluation of lease contract	**(2,642)**	—
Impairment losses on property and equipment	**—**	18,076
COVID-19-related rent concessions	**—**	(21,764)
Other expenses	**28,882**	24,443
	2,138,977	1,863,659

17 FINANCE COSTS — NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**(93,840)**	(102,963)
Interest on borrowings	**(72,290)**	(72,549)
Interest on other financial liabilities	**(15,585)**	(13,952)
	(181,715)	(189,464)
Amount capitalised	**26,535**	21,862
	(155,180)	(167,602)
Net exchange losses	**(8,505)**	(26,240)
Finance costs	**(163,685)**	(193,842)
Interest income	**6,979**	8,464
Finance income	**6,979**	8,464
Finance costs — net	**(156,706)**	(185,378)

18 INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) recognised in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
— Current year	**80,046**	39,225
— Adjustments for current tax of prior periods	**(208)**	(293)
Deferred income tax (Note 5)	**21,534**	(55,258)
Income tax expense/(credit)	**101,372**	(16,326)

On 16 March, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**") which became effective on 1 January 2008. Under the CIT Law, the CIT rate applicable to the most of the Group's subsidiaries located in mainland China from 1 January 2008 is 25%. In 2021, the CIT rate applicable to some of the subsidiaries in mainland China is 15%.

19 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing:

- the earnings/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for share option schemes.

	Year ended 31 December	
	2021	2020
Net earnings/(loss) attributable to owners of the Company *(RMB'000)*	**181,553**	(7,876)
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic earnings/(loss) per share *(RMB)*	**0.11**	(0.00)

(b) Diluted

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- 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 year ended 31 December 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.

20 DIVIDEND

No dividend had been declared or paid during the year (2020:Nil) and the Board has resolved not to propose any final dividend for the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Strategic Outlook

Industry Overview

2021 is the first year of the 14th Five-Year Plan Period (「十四五」規劃), during which China will push forward with the further development of the health sector. The pandemic in 2020 accelerated the industry integration. Leading medical institutions not only recovered quickly from the pandemic, but are also expected to gain larger market share from the small-to-middle size competitors' exits and grow larger and stronger.

For the general hospital industry, benefiting from the government's policies encouraging the development of privately-run medical services, residents' growing demand for healthcare services, increasingly improved medical insurance system, and application of information technologies, private hospitals have been put on a fast track to vigorous development. According to the National Health Commission of the PRC (中國國家衛生健康委員會), as of the end of November 2021, there were approximately 36,000 hospitals in China, comprising 12,000 public hospitals and 25,000 private hospitals, representing a decrease of 38 public hospitals and an increase of 1,377 private hospitals, respectively, as compared to the end of November 2020. During the first eleven months of 2021, the total number of patient visits in China reached 3.8 billion, representing a year-on-year increase of 27.8%, of which 3.22 billion and 580 million visits took place in public and private hospitals, respectively, representing a year-on-year increase of 28.3% and 24.8%, respectively.

For the medical examination industry, although the revival of the pandemic in certain areas interfered with short-term development of the industry in the second half of 2021, the pandemic did not change the increasing demand for the medical examination in the long run. With the shift of medical model to prevention-oriented health management, the whole society is paying more and more attention to the prevention of severe infectious diseases and the early screening of chronic disease risks. In addition, as the traditional medical examination industry was in the peak season in the second half of 2021, the market demand for medical examination services was delayed but gradually unleashed. The results of the companies in the industry were back to the trend of recovery.

In terms of the OGP industry, the third-child policy and the supporting measures were introduced in the Reporting Period, and the local government formulated concrete implementation plans. The policy will gradually deliver its effect. The pandemic did not dampen demand for high-end gynecological and paediatric services. The relevant demand in the Yangtze River Delta region increased significantly. Increasingly more importance will be attached to the health quality of women of childbearing age and newborns in the long run. As medium and high-end women's and children's products are still in short supply, consumer demand for private high-end products is expected to have room for growth.

General Hospital Business

Nantong Rich Hospital is the only high-level general hospital in the Nantong Economic and Technological Development Zone. 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. At the same time, it officially started to operate with a new name as Nantong Rich Cancer Hospital (南通瑞慈腫瘤醫院) in addition to its original name as Nantong Rich Hospital during the Reporting Period. Nantong Rich Hospital launched the outpatient service for COVID-19 vaccination in April 2021 and provided 37,420 vaccinations throughout the Reporting Period. During the repeated COVID-19 outbreak in Jiangsu Province in July 2021, Nantong Rich Hospital accepted the tasks of performing nucleic acid testing and providing medical treatment during the nucleic acid monitoring. It conducted about 211,085 nucleic acid tests in 2021, showing the important role that a privately-run hospital can play in the fight against the epidemic and fulfil its social responsibility. The second phase expansion project of Nantong Rich Hospital proceeded smoothly. Its OGP building had been decorated as of December 31, 2021 and is expected to be put into operation in the second half of 2022. The inpatient complex building and warehousing activity center are being decorated. Such facilities are also expected to become operational in the second half of 2022. While expanding itself, the hospital prioritized the enhancement of its capacity for scientific research and innovation and promotion of its continuous development. During the Reporting Period, the hospital made remarkable achievements in scientific research and new breakthroughs in the building-up of specialities. The hospital vigorously carried out three new technology and projects at the national, provincial and municipal levels, and 23 ongoing research projects. The hospital also attaches importance to quality management. During the Reporting Period, physicians and pharmacists in Nantong Rich Hospital won several awards from the local medical doctor association and pharmaceutical association. As of December 31, 2021, it had 1,078 in-service employees, including 311 doctors, 111 medical technicians and 517 nurses. Currently, the hospital has one National Key Clinical Specialty (pediatric surgery), one Provincial Key Specialty (pediatrics), six Municipal Key Clinical Specialties (including pediatrics, cardiothoracic surgery, cardiovascular medicine, general surgery, neurology, and anesthesiology), and one Municipal Key Specialty (pediatric internal medicine).

During the Reporting Period, due to the local repeated COVID-19 outbreaks, Nantong Rich Hospital arranged and carried out various work such as efforts to prevent and control the epidemic and to ensure medical quality and safety by prioritizing epidemic prevention and control and upholding the service tenet of "being patient-oriented". It also kept improving service quality and management capabilities, thereby achieving obvious economic and social benefits. During the Reporting Period, Nantong Rich Hospital provided services for 357,611 outpatient visits (2020: 331,813) and 29,395 inpatient visits (2020: 25,587), representing a year-on-year increase of 7.8% and 14.9%, respectively.

Leveraging on the medical resources of Nantong Rich Hospital, the Group established Rich Meidi Elderly Care Center and achieved synergy with it. As of December 31, 2021, Rich Meidi Elderly Care Center served 101 elderly people (2020: 103) with an occupancy rate of 95.3% (2020: 97.2%). Due to the implementation of epidemic prevention measures, Rich Meidi Elderly Care Center has been under closed-loop management so that occupants might leave but no admission was allowed. Therefore, the occupancy rate decreased by 1.9% during the Reporting Period as compared with the same period of the last year.

Medical Examination Business

The revenue of the medical examination business accounted for the largest portion of the Group's total revenue. In the Reporting Period, the medical examination chain segment continued its dual branding strategy by promoting its mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC". In addition, the segment implemented a strategy of expanding in key markets. It kept increasing its presence in Shanghai and Jiangsu and exploring the Guangdong-Hong Kong-Macao Greater Bay Area and other regional central cities.

As of December 31, 2021, the Group had 68 medical examination centers in China (2020: 61), representing a year-on-year growth of 11.5%, among which 58 centers were in operation (2020: 57), representing a year-on-year growth of 1.8%. It has presence in 28 cities which are mainly first-tier, new first-tier and second-tier cities.

Our daily business was affected in a short term during the Reporting Period due to the sporadic spread of the epidemic in some regions and especially because of the strict prevention and control measures taken by our branches in Jiangsu Province according to local epidemic prevention policies. While actively implementing epidemic control measures, the medical examination chain segment sticked to its core function of medical care by improving medical technologies, skills and service capabilities and improving its operational control system. Meanwhile, the segment strengthened online sales to actively promote the recovery of its operating performance and minimize the impact of the epidemic on its main business. In addition, thanks to the peak season for traditional medical examinations in the second half of the year, the overall market demand gradually increased. Therefore, the medical examination business still recorded high-quality growth during the Reporting Period. During the Reporting Period, the total number of customer visits under the medical examination business was 3,243,761 (2020: 2,531,668), representing a year-on-year increase of 28.1%, of which corporate customers accounted for around 74.8% of the Group's major customer base of the medical examination services. During the Reporting Period, corporate and individual customers paid 2,426,879 and 816,882 visits, respectively (2020: 1,964,457 and 567,211 respectively), an increase of 23.5% and 44.0%, respectively, compared to the same period last year. The average spending per capita was RMB523 (2020: RMB504).

Specialty Hospital Business

The OGP segment established a comprehensive strategic partnership with Children's Hospital of Fudan University, Obstetrics and Gynecology Hospital of Fudan University and Children's Hospital of Shanghai Jiao Tong University. 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, under the support of medical-graded maternity care centers which are rare in the market.

During the Reporting Period, Changzhou Rich Hospital was officially approved as a Class II general hospital, and the digestive endoscopy center was successfully built, continuing the transformation from an OGP hospital to a general hospital. Shanghai Shuixian Obstetrics, Gynecology & Pediatric Hospital officially set up a department for cervical diseases, a department of medicine and surgery, and a department of otolaryngology. The business pattern of a large specialty hospital and a small general hospital emerged. It has officially begun to deepen cooperation with some insurance companies. Wuxi Rich Obstetrics & Gynecology Hospital focused on the principal business of obstetrics, striving to optimize customers' medical experience and improve service quality.

During the Reporting Period, affected by the repeated epidemic in Jiangsu Province, the three OGP hospitals served a total of 58,472 outpatients and 1,127 inpatients, representing a year-on-year increase of 36.2% and 9.1%, respectively. Their maternity care centers served 975 inpatients, representing a year-on-year growth of 6.6%.

Prospects

Nantong Rich Hospital will take the opportunity of the opening of the new Integrated Ward Building to comprehensively improve the medical service environment and expand the medical service capacity, which will bring about a "building effect". With highlighted high-end gynecological and obstetric services, the hospital will enhance competitiveness beyond the basic medical care to differentiate itself from public hospitals, in a bid to further meet the needs of citizens and the needs for social and economic development in Nantong. Driven by the cooperation with the affiliated hospitals of Fudan University, the hospital will concentrate on surgical oncology, cerebrovascular disease, cardiology, orthopedics and OGP to strengthen the development of distinctive disciplines and technologies and accelerate the construction of a talent echelon. Efforts will be made to establish a brand and grow internal businesses to build a first-class regional medical center. It will strengthen quality management, set up an innovative service model, improve business processes, upgrade software and hardware facilities, and bring patients a stronger sense of access to medical treatment. 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 serves 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 construction completion, which will solve the current shortage of beds.

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 the 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 services and products. In this context, the Group's medical examination chain segment will, on the one hand, continue carrying out its dual branding strategy by promoting its mid-to-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 step up 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 full implementation of the third-child policy, the proportion of pregnant and lyingin women with a second or more children is expected to go up further in the future. The new generation of informed parents have higher requirements for nurturing the next generation. The previous demand for antenatal check and maternity services related to OGP has shifted to diversified and personalized medical and health management needs, bringing new opportunities to the OGP sector.

Financial Review

Revenue

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

	Year ended December 31		
	2021	2020	Percentage change
	(RMB'000)	*(RMB'000)*	
General Hospital Business	**704,209**[(1)]	579,927	21.4%
Medical Examination Business	**1,696,363**	1,278,598	32.7%
Specialty Hospital Business	**129,315**	94,959	36.2%
Inter-segment	**(23,365)**	(28,294)	(17.4%)
Total	**2,506,522**	1,925,190	30.2%

Note:

(1) Included the revenue from hemodialysis business.

Our revenue increased by 30.2% from RMB1,925.2 million in 2020 to RMB2,506.5 million in 2021.

Revenue from the general hospital business in 2021 amounted to RMB680.8 million, representing an increase of 23.4% from RMB551.6 million in 2020, excluding inter-segment revenue of RMB23.4 million and RMB28.3 million in 2021 and 2020, respectively. This is largely because inpatient revenue increased by RMB85.3 million due to a rise of 14.9% in the number of inpatient visits. Meanwhile, outpatient revenue rose by RMB44.0 million due to an increase of 7.8% in the numbers of outpatient visits.

Revenue from the medical examination business in 2021 amounted to RMB1,696.4 million, representing an increase of 32.7% from RMB1,278.6 million in 2020, primarily due to an increase of 28.1% in the numbers of customer visits.

Revenue from the specialty hospital business in 2021 amounted to RMB129.3 million (2020: RMB95.0 million), mainly due to the increase in the numbers of outpatient and inpatient visits. In 2021, the numbers of outpatient visits and inpatient visits in our specialty hospitals were 58,472 and 2,102, respectively. Revenue generated from outpatient visits and inpatient visits were RMB50.4 million and RMB78.9 million, respectively.

Cost of Sales

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

	Year ended December 31		
	2021	2020	Percentage change
	(RMB'000)	*(RMB'000)*	
General Hospital Business	**517,350**[(1)]	415,322	24.6%
Medical Examination Business	**897,220**	772,780	16.1%
Specialty Hospital Business	**216,192**	184,718	17.0%
Inter-segment	**(23,365)**	(28,294)	(17.4%)
Total	**1,607,397**	1,344,526	19.6%

Note:

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

Our cost of sales increased by 19.6% from RMB1,344.5 million in 2020 to RMB1,607.4 million in 2021.

Cost of sales of the general hospital business in 2021 amounted to RMB517.4 million, representing an increase of 24.6% from RMB415.3 million in 2020. The increase of cost of sales is mainly due to the expansion of revenue scale of the general hospital business in 2021.

Cost of sales of the medical examination business in 2021 amounted to RMB897.2 million, representing an increase of 16.1% from RMB772.8 million in 2020. The main reason is the expansion of revenue scale of medical examination business in 2021. Notwithstanding the foregoing, as the fixed costs such as depreciation and amortisation expenses remained relatively stable, the increase in cost is lower than that in revenue.

Cost of sales of the specialty hospital business in 2021 amounted to RMB216.2 million, representing an increase of 17.0% from RMB184.7 million in 2020. This is because (i) the expansion of revenue scale led to a rise in the pharmaceutical costs and medical consumables costs; and (ii) there was no significant change in the composition of the staff and facilities of our OGP hospitals, and thus the fixed costs such as employee compensation and fixed depreciation and amortisation expenses remained relatively stable, and the increase in cost is much lower than that in revenue.

Gross Profit

Our gross profit increased from RMB580.7 million in 2020 to RMB899.1 million in 2021. Gross profit margin increased by 5.7% from 30.2% in 2020 to 35.9% in 2021.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses amounted to RMB281.3 million in 2021, as compared to RMB226.3 million in 2020. The growth was mainly due to the fact that advertising expenses were at a low level in 2020 affected by the pandemic and returned to normal in 2021.

Administrative Expenses

Administrative expenses amounted to RMB248.4 million in 2021, as compared to RMB294.2 million in 2020. The decrease is mainly due to the decrease of professional service charges.

Other Income

Our other income, which mainly comprised of government subsidies, rental income and income from short-term wealth management products, amounted to RMB21.9 million in 2021 (2020: RMB23.3 million).

Other Losses

Our other losses, which mainly comprised of losses on disposal of property and equipment, amounted to RMB6.0 million in 2021 (2020: RMB9.1 million).

Finance Costs — Net

Our net finance costs amounted to RMB156.7 million in 2021, as compared to the net finance costs of RMB185.4 million in 2020. Interest expenses amounted to RMB155.2 million in 2021, representing a decline of RMB12.4 million from RMB167.6 million in 2020. Exchange losses amounted to RMB8.5 million in 2021, representing a decline of RMB17.7 million from RMB26.2 million in 2020.

Share of Results of Investments Accounted for Using Equity Method

In 2021, the Group recognised a share of profit of RMB0.8 million from investments accounted for using equity method (2020: RMB0.8 million) in its consolidated results, mainly due to (i) a share of profit of investments accounted for using equity method of RMB0.7 million of Nantong Rich Meidi Elderly Care Centre Co., Ltd, a subsidiary of a joint venture of the Group, whose business operation has been stable since its establishment in the second half of 2014; and (ii) a share of profit of investments accounted for using equity method of RMB0.1 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense/Credit

In 2021, income tax expense amounted to RMB101.4 million (2020: income tax credit of RMB16.3 million). The growth in income tax expense was mainly due to an increase in the profit for the year.

Profit for the Year

For the foregoing reasons, we recorded a net profit of RMB126.1 million in 2021 (2020: a net loss of RMB92.5 million). The increase of the net profit was mainly due to the increase of revenue derived from all business segments of the Group.

Adjusted EBITDA

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we adopted adjusted EBITDA as an additional financial measure. We define adjusted EBITDA as loss/profit for the year before certain expenses and depreciation and amortisation 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 year (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 year under HKFRSs to our definition of adjusted EBITDA for the years indicated.

	Year ended December 31	
	2021	2020
	(RMB'000)	*(RMB'000)*
Calculation of adjusted EBITDA		
Profit/(loss) for the year	**126,105**	(92,497)
Adjustments to the following items:		
Income tax expense/(credit)	**101,372**	(16,326)
Finance costs — net	**156,706**	185,378
Depreciation and amortisation	**384,511**	371,540
Pre-opening expenses and EBITDA loss of soft-opening(1)	**1,527**	2,768
Share option expenses	**16,861**	17,351
Adjusted EBITDA	**787,082**	468,214
Adjusted EBITDA margin(2)	**31.4%**	24.3%

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 RMB787.1 million in 2021, representing an increase of 68.1% from RMB468.2 million in 2020. This is largely because of a rise in profit due to a significant increase in revenue for the year.

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at December 31, 2021, the property and equipment of the Group totally amounted to RMB1,499.0 million, representing an increase of RMB256.3 million as compared to RMB1,242.7 million as at December 31, 2020. The increase in properties and equipment was primarily due to the expansion project of Nantong Rich Hospital and the purchase of equipment and decoration for newly opened medical examination centers.

Trade Receivables

As at December 31, 2021, the trade receivables of the Group amounted to RMB346.3 million, representing an increase of RMB63.7 million as compared to RMB282.7 million as at December 31, 2020, mainly due to the increase in revenue derived from all business segments of the Group.

Net Current Liabilities

As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB588.4 million (as at December 31, 2020: current liabilities exceeded its current assets by RMB737.7 million). The decline in the Group's net current liabilities were mainly due to a significant increase in the year-end balance of the Group's cash and cash equivalents and accounts receivable as a result of a high growth in revenue in 2021.

Liquidity and Capital Resources

As at December 31, 2021, the Group had cash and cash equivalents of RMB771.3 million (as at December 31, 2020: RMB561.8 million), with available unused bank facilities of RMB281.2 million (as at December 31, 2020: RMB162.4 million). As at December 31, 2021, the Group had outstanding borrowings of RMB1,248.9 million (as at December 31, 2020: RMB1,285.2 million), with non-current portion of long-term borrowings of RMB474.7 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 another 12 months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimize the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to Note 8 to the consolidated financial statements.

Capital Expenditure and Commitments

For 2021, the Group incurred capital expenditures of RMB592.7 million (2020: RMB296.9 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, general hospitals and specialty hospitals; and (iii) the lease of business premises for new medical examination centers.

As at December 31, 2021, the Group had a total capital commitment of RMB101.3 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 Group's information system upgrade.

Borrowings

As at December 31, 2021, the Group had total bank and other borrowings of RMB1,248.9 million (as at December 31, 2020: RMB1,285.2 million). Please refer to Note 11 to the consolidated financial statements for more details.

Contingent Liabilities

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

Financial Instruments

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

Gearing Ratio

As at December 31, 2021, on the basis of net debt divided by total capital, the Group's gearing ratio was 77.1% (as at December 31, 2020: 87.1%). The decrease in gearing ratio was mainly due to the increase in the Group's cash and cash equivalents which is in line with the increasing trend of the Group's revenue in 2021.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to changes in interest rates is mainly attributable to our 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 December 31, 2021, borrowings of RMB865,923,000 were with floating interest rates. We did not hedge our cash flow and fair value interest rate risk during the year ended December 31, 2021.

Foreign Exchange Risk

For the year ended December 31, 2021, 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, accounts receivable from related persons, 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 RMB3,985.5 million as at December 31, 2021 (as at December 31, 2020: RMB4,224.3 million).

Pledge of Assets

As at December 31, 2021, the Group had assets with a total carrying amount of RMB265,682,000 (as at December 31, 2020: assets of RMB159,314,000) and restricted deposits with an amount of USD10,250,000 (equivalent to RMB65,351,000) and restricted deposits with an amount of RMB115,500,000 (as at December 31, 2020: USD38,650,000, equivalent to RMB252,187,000) 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.

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 IPO in an amount of RMB179.4 million were utilised 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, with the balance amounting to approximately RMB5.9 million. The remaining unutilised net proceeds from the IPO will be used in accordance with the Group's development strategies, market conditions and intended use of such proceeds, with details set out below, and are expected to be fully utilised on or before December 31, 2022.

	Net amount available as at December 31, 2020 *(RMB'000)*	**Actual amount utilised during the Reporting Period** *(RMB'000)*	**Unutilised amount as at December 31, 2021** *(RMB'000)*
Second phase expansion project of Nantong Rich Hospital	65,256	59,397	5,859
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	179,397	5,859

HUMAN RESOURCES

The Group had 7,706 employees as at December 31, 2021, as compared to 7,162 employees as at 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 options 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of Cayman Islands, which would oblige the Company to offer new shares of the Company (the "**Shares**") on a pro-rata basis to the existing Shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended December 31, 2021.

SUBSEQUENT EVENT

In March 2022, due to the spread of Coronavirus Disease (the "**COVID**") in Shanghai and other cities, the examination centers in Shanghai have been temporarily closed down. The pandemic situation has certain impact on the Group's operation, the extent of which will depend on the duration of the epidemic and the implementation of containment measures. The Company will continuously pay close attention to the development of the COVID spread and evaluate its impacts on the Group's financial position and operating results, and cash flows.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from June 14, 2022 to June 17, 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on June 17, 2022 (the "**2022 AGM**"). In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on June 13, 2022.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CORPORATE GOVERNANCE

The Company recognises 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 set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to 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 year, 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 Yixin performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang Yixin 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 Yixin (except his spouse, Dr. Mei Hong, and Mr. Fang Haoze, his son). The Board comprises 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 to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its 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 Group or 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.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Board (comprising Dr. Wang Yong, Mr. Jiang Peixing and Ms. Wong Sze Wing (each of them being an independent non-executive Director)) has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended December 31, 2021, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended December 31, 2021 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (***www.hkexnews.hk***) and the Company's website (***www.rich-healthcare.com***). The annual report of the Company for the year ended December 31, 2021 will be despatched to the Shareholders and published on the aforesaid 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, March 31, 2022

As of 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.