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, 2022

FINANCIAL SUMMARY

- Revenue for the six months ended June 30, 2022 amounted to RMB875.6 million, representing a decrease of 12.4% from RMB999.5 million for the corresponding period in 2021.

- Gross profit for the six months ended June 30, 2022 amounted to RMB132.3 million, representing a decrease of 51.5% from RMB272.6 million for the corresponding period in 2021.

- Loss attributable to owners of the Company for the six months ended June 30, 2022 amounted to RMB117.9 million, as compared to profit attributable to owners of the Company of RMB10.5 million for the corresponding period in 2021.

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, 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2021. 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 21 as presented below are extracted from the Group's unaudited interim condensed consolidated financial information for the six months ended June 30, 2022.

Interim condensed consolidated balance sheet

As at June 30, 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**1,463,756**	1,498,990
Right-of-use assets	*5*	**1,249,661**	1,275,275
Intangible assets		**7,619**	10,871
Investments accounted for using equity method		**8,865**	8,703
Financial assets at fair value through profit or loss		**1,500**	1,500
Deposits for long-term leases		**46,775**	44,324
Deferred tax assets	*6*	**226,318**	213,488
Prepayments	*9*	**52,908**	41,310
		3,057,402	3,094,461
Current assets			
Inventories		**52,599**	50,994
Trade receivables	*7*	**209,291**	346,319
Other receivables		**87,819**	48,876
Prepayments	*9*	**33,645**	37,525
Amounts due from related parties		**6,635**	5,909
Cash and cash equivalents	*8*	**560,945**	771,264
Restricted cash	*8*	**167,500**	180,851
		1,118,434	1,441,738
Total assets		**4,175,836**	4,536,199
EQUITY			
Equity attributable to owners of the Company			
Share capital	*10*	**1,065**	1,065
Reserves		**537,095**	676,435
		538,160	677,500
Non-controlling interests		**(111,008)**	(90,074)
Total equity		**427,152**	587,426

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**348,539**	474,721
Lease liabilities	*12*	**1,187,280**	1,204,422
Other financial liabilities		**153,873**	145,464
Deferred income		**92,813**	94,076
		1,782,505	1,918,683
Current liabilities			
Borrowings	*11*	**779,360**	774,202
Lease liabilities	*12*	**320,837**	289,952
Contract liabilities	*13*	**428,485**	405,294
Trade and other payables	*14*	**424,958**	500,729
Amounts due to related parties		**133**	134
Income tax payables		**6,801**	54,174
Deferred income		**5,605**	5,605
		1,966,179	2,030,090
Total liabilities		**3,748,684**	3,948,773
Total equity and liabilities		**4,175,836**	4,536,199

Interim condensed consolidated statement of profit or loss

For the six months ended 30 June 2022

	Note	Unaudited 2022 RMB'000	Unaudited 2021 RMB'000
		Six months ended 30 June	
Revenue	*15*	**875,633**	999,533
Cost of sales	*16*	**(743,316)**	(726,927)
Gross profit		**132,317**	272,606
Distribution costs and selling expenses	*16*	**(131,626)**	(88,452)
Administrative expenses	*16*	**(109,923)**	(112,568)
Net impairment losses on financial assets	*16*	**(781)**	(4,305)
Other income		**7,575**	10,453
Other losses		**(1,945)**	(1,186)
Operating (loss)/profit		**(104,383)**	76,548
Finance costs	*17*	**(74,354)**	(83,680)
Finance income	*17*	**12,039**	2,559
Finance costs — net	*17*	**(62,315)**	(81,121)
Share of results of investments accounted for using equity method		**162**	183
Loss before income tax		**(166,536)**	(4,390)
Income tax expense	*18*	**(2,017)**	(25,668)
Loss for the period		**(168,553)**	(30,058)
(Loss)/profit is attributable to:			
Owners of the Company		**(117,854)**	10,460
Non-controlling interests		**(50,699)**	(40,518)
		(168,553)	(30,058)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic and diluted	*19*	**RMB(0.07)**	RMB0.01

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2022

	Unaudited	Unaudited
	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Loss for the period	**(168,553)**	(30,058)
Other comprehensive income or loss	**—**	—
Total comprehensive loss for the period	**(168,553)**	(30,058)
Total comprehensive (loss)/profit for the period is attributable to:		
Owners of the Company	**(117,854)**	10,460
Non-controlling interests	**(50,699)**	(40,518)
	(168,553)	(30,058)

Notes to the interim condensed consolidated financial information

For the six months ended 30 June 2022

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 30 August 2022.

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, 2022 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 31 December 2021, 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 2022, the Group's current liabilities exceeded its current assets by RMB847,745,000. Contract liabilities and deferred income included in current liabilities of the Group as at 30 June 2022 amounting to RMB434,090,000 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 the 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 2021, 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 HKAS 16 — Regarding property, plant and equipment: proceeds before intended use
- Amendments to HKAS 37 — Regarding onerous contracts — cost of fulfilling a contract
- Amendments to HKFRS 3 — Regarding reference to the conceptual framework
- Annual Improvements to HKFRS Standards 2018–2020
- Amendments to AG 5 Merger accounting for common control combinations

The adoption of the above new amendments starting from 1 January 2022 did not give rise to significant impact on the Group's results of operations and financial position for the six months ended 30 June 2022.

(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 2022 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	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	Originally 1 January 2022, but extended to 1 January 2023 by the HKICPA
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 Centre Co., Ltd.

(b) Medical examination centres

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 2022 and 2021, and the segment assets and liabilities as at 30 June 2022 and 31 December 2021.

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 six months ended 30 June 2022 (unaudited)						
Revenue	322,260	488,439	71,095	–	(6,161)	875,633
Timing of revenue recognition						
At a point in time	322,260	488,439	50,895	–	(6,161)	855,433
Over time	–	–	20,200	–	–	20,200
	322,260	488,439	71,095	–	(6,161)	875,633
Segment profit/(loss)	72,801	(22,765)	(49,345)	–	–	691
Administrative expenses						(109,923)
Net impairment losses on financial assets						(781)
Interest income						4,233
Interest expenses						(74,354)
Net exchange gains						7,806
Total loss before income tax						(166,536)
Income tax expense						(2,017)
Loss for the period						(168,553)
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	70,836	201,258	1,593	–	–	273,687
Depreciation and amortisation	12,792	150,347	36,288	–	–	199,427

	General hospital *RMB'000*	Medical examination centres *RMB'000*	Specialty hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 30 June 2022 (unaudited)						
Segment assets	**1,595,526**	**3,061,171**	**678,423**	**857,953**	**(2,017,237)**	**4,175,836**
Segment liabilities	**953,081**	**2,818,354**	**802,878**	**274,051**	**(1,099,680)**	**3,748,684**

	General hospital *RMB'000*	Medical examination centres *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
Timing of revenue recognition						
At a point in time	339,965	610,836	36,399	—	(9,808)	977,392
Over time	—	—	22,141	—	—	22,141
	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 amortisation	13,012	139,803	36,605	—	—	189,420

	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

5 Right-of-use assets

	Unaudited As at 30 June 2022 ***RMB'000***	Audited As at 31 December 2021 *RMB'000*
Properties	**1,244,011**	1,251,864
Equipment	**2,702**	20,413
Land use rights	**2,948**	2,998
	1,249,661	1,275,275

	Properties *RMB'000*	Equipment *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
As 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**
Six months ended 30 June 2022				
Opening net book amount	**1,251,864**	**20,413**	**2,998**	**1,275,275**
Transfer to property and equipment	**—**	**(16,674)**	**—**	**(16,674)**
Additions	**145,646**	**—**	**—**	**145,646**
Revaluation	**912**	**—**	**—**	**912**
Disposal of a subsidiary *(Note 20)*	**(48,203)**	**—**	**—**	**(48,203)**
Other disposal	**(553)**	**—**	**—**	**(553)**
Depreciation	**(105,655)**	**(1,037)**	**(50)**	**(106,742)**
Closing net book amount	**1,244,011**	**2,702**	**2,948**	**1,249,661**
As at 30 June 2022				
Cost	**1,836,613**	**3,945**	**4,697**	**1,845,255**
Accumulated depreciation	**(592,602)**	**(1,243)**	**(1,749)**	**(595,594)**
Net book amount	**1,244,011**	**2,702**	**2,948**	**1,249,661**

(a) As at 30 June 2022, land with a total carrying amount of RMB2,948,000 (31 December 2021: RMB2,998,000) were pledged for the Group's borrowings.

6 Deferred tax assets

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**148,771**	138,572
Right-of-use assets and lease liabilities	**43,305**	41,592
	192,076	180,164
Others		
Share option scheme	**26,208**	24,834
Loss allowances for financial assets	**3,213**	3,059
Deferred income	**1,401**	1,401
Impairment of property and equipment	**987**	1,597
Others	**2,433**	2,433
	34,242	33,324
Total deferred tax assets	**226,318**	213,488

7 Trade receivables

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Trade receivables	**222,984**	359,616
Less: loss allowance	**(13,693)**	(13,297)
	209,291	346,319

As at 30 June 2022 and 31 December 2021, 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 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Trade receivables		
— Up to 6 months	**193,156**	340,296
— 6 months to 1 year	**16,138**	11,258
— 1 to 2 years	**9,498**	4,423
— 2 to 3 years	**1,259**	977
— Over 3 years	**2,933**	2,662
	222,984	359,616

8 Cash and bank balances

(a) Cash and cash equivalents

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**396,451**	626,408
— Denominated in USD	**161,441**	141,940
— Denominated in HKD	**3,053**	2,916
	560,945	771,264

(b) Restricted cash

As at 30 June 2022, fixed deposits of RMB167,500,000 (31 December 2021: RMB115,500,000 and USD10,250,000, equivalent to RMB65,351,000) were pledged at banks for the Group's borrowings of RMB160,000,000 (31 December 2021: RMB170,000,000).

9 Prepayments

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Non-current:		
Prepayments for property and equipment	**52,908**	41,310
Current:		
Prepayments for consumables	**8,172**	10,662
Others	**25,473**	26,863
	33,645	37,525
Total prepayments	**86,553**	78,835

10 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital *RMB'000*
As at 30 June 2022 and 31 December 2021	1,590,324,000	1,065

11 Borrowings

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Non-current:		
Bank borrowings-secured and/or guaranteed	**387,916**	501,497
Other borrowings-secured and guaranteed	**50,483**	99,926
Less: Current portion of non-current borrowings	**(89,860)**	(126,702)
	348,539	474,721
Current:		
Bank borrowings-secured and/or guaranteed	**689,500**	647,500
Add: Current portion of non-current borrowings	**89,860**	126,702
	779,360	774,202
Total borrowings	**1,127,899**	1,248,923

12 Lease liabilities

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**320,837**	289,952
After 1 year but within 2 years	**232,961**	242,742
After 2 years but within 5 years	**503,233**	534,478
After 5 years	**451,086**	427,202
	1,508,117	1,494,374

13 Contract liabilities

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Sales of medical examination cards	**344,950**	309,476
Advances from medical examination customers	**63,620**	91,248
Advances from hospital patients	**19,915**	4,570
	428,485	405,294

14 Trade and other payables

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Trade payables due to third parties (a)	**190,424**	189,173
Payables for purchase of property and equipment	**87,375**	92,469
Staff salaries and welfare payables	**81,363**	101,527
Deposits payable	**15,299**	22,833
Accrued taxes other than income tax	**4,262**	10,558
Accrued advertising expenses	**1,061**	1,116
Interest payables	**739**	1,576
Accrued professional service fees	**472**	2,280
Others	**43,963**	79,197
	424,958	500,729

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

	Unaudited As at 30 June 2022 *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Trade payables		
— Up to 3 months	**118,245**	113,696
— 3 to 6 months	**39,127**	40,788
— 6 months to 1 year	**11,251**	13,614
— 1 to 2 years	**7,737**	8,019
— 2 to 3 years	**1,509**	1,289
— Over 3 years	**12,555**	11,767
	190,424	189,173

The trade and other payables are usually paid within 60 days of recognition. As at 30 June 2022 and 31 December 2021, the fair value of all trade and other payables approximated to their carrying amount.

15 Revenue

Revenue of the Group consists of the following:

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
General Hospital		
Outpatient pharmaceutical revenue	**32,772**	31,243
Outpatient service revenue	**41,455**	41,429
Inpatient pharmaceutical revenue	**126,845**	136,024
Inpatient service revenue	**115,027**	121,461
Medical Examination Centres		
Examination service revenue	**487,882**	610,542
Management service revenue and others	**557**	294
Specialty Hospitals		
Outpatient pharmaceutical revenue	**9,610**	5,187
Outpatient service revenue	**20,443**	17,469
Inpatient pharmaceutical revenue	**613**	490
Inpatient service revenue	**40,429**	35,394
	875,633	999,533

16 Expenses by nature

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Employee benefits expenses	**488,103**	401,163
Depreciation and amortisation	**199,427**	189,420
Pharmaceutical costs	**113,492**	112,783
Medical consumables costs	**58,055**	65,017
Outsourcing testing expenses	**40,467**	59,223
Utility expenses	**35,309**	33,684
Advertising expenses	**12,624**	11,541
Office expenses	**10,772**	19,815
Maintenance expenses	**4,726**	6,920
Short-term or low-value operating lease rentals	**4,680**	1,742
Professional service charges	**3,512**	8,896
Entertainment expenses	**3,254**	3,682
Stamp duty and other taxes	**1,588**	1,856
Travel expenses	**1,440**	2,823
Net impairment losses on receivables	**781**	4,305
Auditor's remuneration	**472**	472
Revaluation of lease contract	**(2,628)**	(2,642)
COVID-19-related rent concessions	**(2,764)**	—
Other expenses	**12,336**	11,552
	985,646	932,252

17 Finance costs — net

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**48,609**	48,319
Interest on borrowings	**27,662**	39,192
Interest on other financial liabilities	**8,409**	7,508
	84,680	95,019
Amount capitalised	**(10,326)**	(15,284)
	74,354	79,735
Net exchange losses	**—**	3,945
Finance costs	**74,354**	83,680
Interest income	**(4,233)**	(2,559)
Net exchange gains	**(7,806)**	—
Finance income	**(12,039)**	(2,559)
Finance costs — net	**62,315**	81,121

18 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	
	2022	2021
	RMB'000	*RMB'000*
Current income tax		
— Current period	**17,578**	35,094
— Adjustments for current tax of prior years	**(2,731)**	(208)
Deferred income tax	**(12,830)**	(9,218)
Income tax expense	**2,017**	25,668

The corporate income tax rate applicable to the Group's subsidiaries located in mainland China is 25%. During the six months ended 30 June 2022, the corporate income tax rate applicable to some of the subsidiaries in mainland China is 15%.

19 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to the owners of Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021, respectively.

	Unaudited Six months ended 30 June	
	2022	2021
Net (loss)/profit attributable to owners of the Company *(RMB'000)*	**(117,854)**	10,460
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic (loss)/earnings per share *(RMB)*	**(0.07)**	0.01

(b) Diluted

Diluted (loss)/earnings 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 2022 and 2021, 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 Disposal of a Subsidiary

Changzhou Rich Hospital Co., Ltd. ("**Changzhou Rich**") was the Group's subsidiary, of which 57.92% equity interest was held by the Group. In June 2022, the Group disposed all of the equity interests in Changzhou Rich to Jinxin Holdings Group Co., Ltd. at the consideration of RMB27,110,000. Upon such transaction, the Group ceased to have any equity interest in Changzhou Rich. The Group recognised a decrease in non-controlling interests of RMB19,147,000 and a gain on disposal of a subsidiary of RMB757,000.

The carrying amounts of assets and liabilities of Changzhou Rich as at the date of sale were as follows:

	2022
	RMB'000
Property and equipment	**83,109**
Right-of-use assets	**48,203**
Intangible assets	**1,277**
Inventories	**2,445**
Trade receivables	**505**
Other receivables	**525**
Prepayments	**8,839**
Cash and cash equivalents	**3,255**
Total assets	**148,158**
Borrowings	**16,753**
Lease liabilities	**71,850**
Contract liabilities	**3,491**
Trade and other payables	**10,564**
Total liabilities	**102,658**
Net assets disposed of	**45,500**
Non-controlling interests	**19,147**
Total cash consideration	**27,110**

21 Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

Moving into 2022, the repeated COVID-19 outbreaks severely hit the medical service industry in China. However, healthcare service, representing people's basic need for security, is featured with obviously rigid demand. After the easing of the pandemic, the pent-up market demand is expected to be unleashed. In the meantime, leading medical institutions could not only recover quickly from the pandemic, but also seize market share from competitors via industry integration to further grow bigger and stronger.

For the hospital industry, especially in the Yangtze River Delta region, the first half of 2022 was a special period when the pandemic had severe effects on the daily operations of many hospitals. However, despite of such tough conditions, private hospitals demonstrated their resilience and tenacity on the daily operations. According to the official website of the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), in the first four months of 2022, the total number of patient visits in China reached approximately 1,290 million, representing a year-on-year increase of 1.2%, of which approximately 1,090 million and approximately 210 million visits took place in public and private hospitals, representing a year-on-year increase of 0.5% and 5.5%, respectively.

For the medical examination industry, during the Reporting Period, due to the sporadic coronavirus outbreaks across the country, especially in Shanghai where the pandemic was severe in terms of breadth and depth, medical examination centres suspended operation or faced increased cleaning and disinfection burden and diminished admission capability, leading to a decreased number of visits. However, as the medical examination industry was in the off-season in the first half of the year traditionally, the market demand for medical examination services is expected to be unleashed after the easing of the pandemic.

With respect to obstetrics, gynecology and pediatrics ("**OGP**") industry, the pandemic stimulated demand for high-end OGP services. It is expected that the market demand for high-end OGP products still has room for growth.

General Hospital Business

Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司) ("**Nantong Rich Hospital**") is the only high-level general hospital in Nantong Economic and Technological Development Area. It is currently a Class III Grade B general hospital, a designated hospital for medical insurance reimbursement and a National Standardized Medical Residency Training Coordination Base (國家住院醫師規範化培訓協同基地).

In February 2022, Nantong Rich Hospital, Medical College of Fudan University (復旦大學醫學院) and Nantong Economic and Technological Development Zone entered into a strategic cooperation agreement, pursuant to which, the parties agreed to establish a first-class regional medical centre based at Nantong Rich Hospital. During the Reporting Period, Nantong Rich Hospital and Fudan University Shanghai Cancer Centre (復旦大學附屬腫瘤醫院) jointly established the medical consortium, called "Fudan University Shanghai Cancer Centre — Nantong Rich Hospital" for tumor prevention and treatment. In addition, Nantong Rich Hospital cooperated with Zhongshan Hospital Affiliated to Fudan University (復旦大學附屬中山醫院) to establish the "Zhongshan Hospital Affiliated to Fudan University — Nantong Rich Hospital Medical Technology Collaboration Centre". Furthermore, both parties will enter into a cooperation agreement in the second half of the year to comprehensively and jointly promote the cultivation of professionals and talents. Meanwhile, during the Reporting Period, Nantong Rich Hospital made continued efforts in accelerating the construction of the new inpatient complex building and the XMEDIC obstetrics & gynecology building. The construction of the XMEDIC obstetrics & gynecology building was completed in August 2022 while the construction of the new inpatient complex building is still ongoing, and both will officially commence operation at the end of year. In addition to expanding its business presence, Nantong Rich Hospital attached importance to the training of medical talents and the improvement of service quality. As of June 30, 2022, the hospital had 1,096 employees (as of June 30, 2021: 991), comprising 328 doctors (as of June 30, 2021: 303), 115 medical technicians (corresponding period in 2021: 117), and 511 nurses (as of June 30, 2021: 445). Currently, the hospital has one Construction Project for National Key Clinical Specialty (pediatric surgery) (國家臨床重點專科建設項目(小兒外科)), six Municipal Key Clinical Specialties (市級臨床重點專科) (including pediatrics, cardiothoracic surgery, cardiovascular medicine, general surgery, neurology, and anesthesiology), and one Municipal Key Specialty (市級重點學科) (pediatrics internal medicine). During the Reporting Period, Nantong Rich Hospital, together with major private hospitals in the province, initiated the establishment of Jiangsu Social Medical Institutions Association (江蘇省社會辦醫療機構協會), for which it was elected as the vice president entity. In addition, Nantong Rich Hospital was awarded one third prize of Nantong New Technology Introduction Award (南通市新技術引進獎), granted two guided subjects from Nantong Science and Technology Bureau (南通市科技局) (publication completed) and gained the approval for one project regarding provincial innovation research subject about hospital management in 2021.

In the first half of 2022, although the repeated COVID-19 outbreaks in Nantong affected Nantong Rich Hospital to some extent, the Nantong Rich Hospital took strict prevention and control measures against the pandemic and actively cooperated with the government in this regard. As a regional central hospital, Nantong Rich Hospital played a leading role in the prevention and control of the pandemic. In addition to the function of pandemic prevention and control as a sentinel hospital, Nantong Rich Hospital dispatched medical staff to support the makeshift hospital in Pudong, Shanghai, collect samples for nucleic acid testing sites in the city, and provide assistance at nucleic acid bases in Tianjin and Lianyungang. Medical teams were sent to four centralized quarantine sites to provide medical support, community vaccination and vaccination services in makeshift hospitals. It also undertook various anti-pandemic tasks in the area, including regional nucleic acid sample collection and nucleic acid testing, and epidemiological investigation at highway intersections. According to the unified arrangement, one of the two nucleic acid testing bases in Nantong Economic and Technological Development Area was established in the hospital. During the Reporting Period, Nantong Rich Hospital provided services for 355,847 outpatient visits (corresponding period in 2021: 228,790), representing a year-on-year increase of 55.5%. Due to the pandemic, the number of outpatient visits excluding those for nucleic acid testing and the number of inpatient visits in the hospital decreased as compared with the corresponding period of the previous year. During the Reporting Period, excluding outpatient visits for nucleic acid testing, Nantong Rich Hospital provided services for 163,948 outpatient visits (corresponding period in 2021: 192,261) and 12,189 inpatient visits (corresponding period in 2021: 15,136), representing a year-on-year decrease of 14.7% and 19.5%, respectively.

Leveraging the medical resources of Nantong Rich Hospital, the Group established Rich Meidi Elderly Care Centre. As at June 30, 2022, Rich Meidi Elderly Care Centre served 102 elderly people (as at June 30, 2021: 105) with an occupancy rate of 96.2% (as at June 30, 2021: 99.1%). Nantong Rich Hemodialysis Centre deregistered as a practice institution in August 2021 and was converted into a hemodialysis room of Nantong Rich Hospital. Its organisational structure and business revenue were consolidated into Nantong Rich Hospital.

Medical Examination Business

The revenue of the medical examination business accounted for the largest portion of the Group's total revenue. During the Reporting Period, our medical examination chain segment continued to pursue the dual-brand strategy by promoting our mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC International Medical Examination". XMEDIC and Kameda Medical Centre in Japan leveraged on their respective strength to formally reach in-depth strategic cooperation, pursuant to which, a full suite of premium and precise medical examination service offerings of Kameda Medical Centre has been introduced into mainland China, first launched in Shanghai, Nanjing and Nantong. XMEDIC maintained its robust growth, gained compliment from and established positive reputation among the high-end customer groups in the Yangtze River Delta region. Despite of the impacts of pandemic, the "Rici Medical Examination" will keep implementing the strategy targeted at key markets, with steady focus on the two major markets of Shanghai and Jiangsu, and explore the markets of the Great Bay Area and other first-tier, emerging first-tier and second-tier cities.

As at June 30, 2022, the Group had 70 medical examination centres in China (as at June 30, 2021: 63), representing a year-on-year growth of 11.1%, among which 57 centres were in operation in the Reporting Period (corresponding period in 2021: 57). The Group's medical examination centres have presence in 29 cities, which are mainly first-tier, emerging first-tier and second-tier cities.

The pandemic situation in Shanghai has caused a serious negative impact on the medical examination business with its strategic focus on the Yangtze River Delta region. From March to June 2022 in particular, our centres in Shanghai were unable to operate normally according to local anti-pandemic policies, and were completely closed down from April to May. Centres in other regions were also affected to varying degrees, leading to a decrease in the number of visits. During the Reporting Period, the total number of customer visits under the medical examination business was 975,109 (corresponding period in 2021: 1,185,452), representing a year-on-year decrease of 17.7%. Corporate customers were the main targets of the Group's medical examination services, accounting for approximately 65.4%. During the Reporting Period, the numbers of corporate and individual customers were 637,477 and 337,632 (corresponding period in 2021: 845,429 and 340,043), representing a year-on-year decrease of 24.6% and 0.7%, respectively. The average spending per capita fell to RMB500.5 (corresponding period in 2021: RMB515.3), representing a year-on-year decrease of 2.9%.

Specialty Hospital Business

As at June 30, 2022, there were two OGP specialty hospitals under this segment, which are located respectively in Shanghai and Wuxi. We disposed of Changzhou Rich Hospital Co., Ltd. (常州瑞慈醫院有限公司) ("**Changzhou Rich**") on June 1, 2022. The remaining two hospitals are aimed at mainly providing OGP services for high-net-worth individuals, supported by medical-graded maternity care centres which are rare in the market.

Rici Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦兒醫院有限公司) ("**Rici Shuixian**") was rated as an AAA hospital in social credit by Chinese Non-government Medical Institutions Association (中國非公立醫療機構協會) during the Reporting Period. Wuxi Rich Obstetrics, Gynecology & Pediatric Hospital (無錫瑞慈婦產醫院) ("**Wuxi Rich**") focused on the principal business of obstetrics, striving to optimize customers' medical experience and improve service quality. Rici Shuixian served 15,153 outpatients (corresponding period in 2021: 11,241) and 272 inpatients (corresponding period in 2021: 156) during the Reporting Period, representing a year-on-year increase of 34.8% and 74.4%, respectively. Its maternity care centre served 102 inpatients (corresponding period in 2021: 95), representing a year-on-year growth of 7.4%. Wuxi Rich served 5,366 outpatients (corresponding period in 2021: 4,074) and 218 inpatients (corresponding period in 2021: 133) during the Reporting Period, representing a year-on-year increase of 31.7% and 63.9%, respectively.

On August 18, 2022, the Group, Hainan Xinmu Medical Management Co., Ltd. (海南新睦醫療管理有限公司) ("**Hainan Xinmu**") and several guarantors entered into an equity transfer agreement to dispose of the entire equity interest held by the Group in Rici Shuixian (representing 60% of the total issued share capital of Rici Shuixian prior to the transaction). Please refer to the section headed "Subsequent Events" for more details.

Prospects

Nantong Rich Hospital will continue to be positioned to be a talent and technology-based platform within the Group in the future. On one hand, it will continue to foster and provide high-caliber talents in the fields of medical technology and medical service management for the medical examination chain sector. On the other hand, its own research and medical capabilities will be used to continuously provide professional and technical support for the development of medical examination chain sector. Nantong Rich Hospital has a long-term goal of becoming a high-tech and well-famed general hospital in the region, and further endorsing the professional medical quality for Rich brand. With the full support of the local government in the development zone and leveraging on the broader strategic cooperation with Fudan, Nantong Rich Hospital will make vigorous efforts in the introduction of talents and the construction of key disciplines including oncology, cardiology, gynecology and pediatrics, so as to develop a first-class regional medical centre, featuring an integration of medical service with the medical education and academic research, the treatment with the care and recovery, and the basic medical service with the special medical care. Under the broader cooperation arrangement, the Group and Kameda Medical Centre will establish a friendly cooperative partnership to make full use of their respective medical strength, and jointly enhance the influence of their medical brands worldwide by means of bilateral visits and exchanges, medical business cooperation, and academic research on management. With the preliminary focus on special medical care for key specialty departments, a remote consultation centre for special diseases will be established, and more efforts will be made in offline medical business cooperation, promotion of advanced technologies, academic exchanges, talent training, scientific research cooperation and international referral etc. at an appropriate time as far as the pandemic policies are concerned.

The private medical examination industry has undergone a relatively fierce exogenous expansion over these years, and is turning into a model of endogenous growth. Although the medical examination industry in China has been developing for years, the current coverage of medical examination in China is still relatively lower and the average unit price for medical examination users still has more room for growth, as compared to the developed markets such as Japan. Against this backdrop, the Group's medical examination chain segment will continue to implement the dual-brand strategy with the mid-to-high-end brand "Rich Medical Examination" and the high-end brand "XMEDIC International Medical Examination" to meet the demand of Chinese consumers for more accurate and personalised medical examination services. For high-end medical examinations, "XMEDIC" has entered into a strategic cooperation agreement with Kameda Medical Centre, which has a history of 370 years and is ranked in third place in terms of comprehensive strength in Japan. In accordance with the agreement, a full suite of premium and precise medical examination service offerings, in strict alignment with Japanese-style precise medical examination service system and in combination with the rich experience of the sophisticated medical team consisting of multiple experts, will be introduced from Japan to mainland China, thus providing users with premium and precise medical examination service products.

The Group thinks highly of the development of OGP specialty hospitals in the Yangtze River Delta region, whereas we will be more focused on general hospital business and medical examination business in the future.

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,		
	2022	2021	Percentage change
	RMB'000	*RMB'000*	
General Hospital Business	**322,260**[(1)]	339,965[(1)]	–5.2%
Medical Examination Business	**488,439**	610,836	–20.0%
Specialty Hospital Business	**71,095**	58,540	+21.4%
Inter-segment	**(6,161)**	(9,808)	–37.2%
Total	**875,633**	999,533	–12.4%

Note:

(1) Included the revenue from hemodialysis business.

Our revenue decreased by 12.4% from RMB999.5 million for the six months ended June 30, 2021 to RMB875.6 million for the Reporting Period. This is largely because our medical examination centres across China were unable to resume normal operations due to the pandemic in the Reporting Period.

Revenue from the general hospital business for the Reporting Period amounted to RMB316.1 million, representing a decrease of 4.3% from RMB330.2 million for the corresponding period in 2021, excluding inter-segment revenue of RMB6.2 million and RMB9.8 million for the six months ended June 30, 2022 and 2021, respectively. The number of inpatient visits decreased by 2,947, the revenue per inpatient increased by 16.6% and the inpatient revenue decreased by RMB15.6 million. Meanwhile, the number of outpatient visits increased by 127,057, revenue per outpatient decreased by 34.3%, and outpatient revenue increased by 1.5 million, mainly due to the facts that the number of outpatient visits for COVID-19 nucleic acid tests increased significantly during the Reporting Period compared with the corresponding period in 2021, whereas the unit price of nucleic acid tests decreased significantly compared with the corresponding period in 2021.

Revenue from the medical examination business for the Reporting Period amounted to RMB488.4 million, representing a decline of 20.0% from approximately RMB610.8 million for the corresponding period in 2021. This is mainly because our medical examination centres across China were unable to resume normal operations due to the pandemic in the Reporting Period.

Revenue from the specialty hospital business for the Reporting Period amounted to RMB71.1 million (corresponding period in 2021: RMB58.5 million). For the Reporting Period, the revenue recorded by our specialty hospitals generated from outpatient visits and inpatient visits were RMB30.1 million and RMB41.0 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 a breakdown of cost of sales by operating segments for the periods indicated:

	Six months ended June 30,		
	2022	2021	**Percentage change**
	RMB'000	*RMB'000*	
General Hospital Business	**247,062**[1]	248,624[1]	–0.6%
Medical Examination Business	**397,972**	387,359	+2.7%
Specialty Hospital Business	**104,443**	100,752	+3.7%
Inter-segment	**(6,161)**	(9,808)	–37.2%
Total	**743,316**	726,927	+2.3%

Note:

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

Our cost of sales increased by 2.3% from RMB726.9 million for the six months ended June 30, 2021 to RMB743.3 million for the Reporting Period.

Cost of sales of the general hospital business during the Reporting Period amounted to RMB247.1 million, representing a decrease of 0.6% from RMB248.6 million during the corresponding period in 2021. The decrease was primarily due to a decrease in the pharmaceutical costs caused by the decline in revenue in the Reporting Period.

Cost of sales of the medical examination business during the Reporting Period was RMB398.0 million, representing an increase of 2.7% from RMB387.4 million during the corresponding period of 2021. The slight increase on the cost of sales of the medical examination business was primarily due to the facts that whereas medical consumables costs and outsourcing testing expenses of the medical examination business went down along with the business scale, the fixed labour costs increased as a result of the recruitment of a number of new medical examiners, nurses and other employees in the context of the positive business operations status of the Group in the second half of 2021 and the opening of new medical examination centres, and the increase on the contribution base for social security and housing provident fund in July 2021.

Cost of sales of the specialty hospitals business amounted to RMB104.4 million during the Reporting Period, representing an increase of 3.7% from RMB100.8 million during the corresponding period in 2021. This is largely because a growth in revenue led to a rise in the pharmaceutical costs and medical consumables costs.

Gross Profit

Our gross profit decreased from RMB272.6 million for the six months ended June 30, 2021 to RMB132.3 million for the Reporting Period. Gross profit margin decreased by 12.2 percentage points from 27.3% for the six months ended June 30, 2021 to 15.1% for the Reporting Period. As revenue from the medical examination business decreased significantly during the Reporting Period due to the pandemic while the fixed costs remained largely stable, gross profit margin went down.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses amounted to RMB131.6 million during the Reporting Period, as compared to RMB88.5 million for the corresponding period in 2021. The growth was mainly due to an increase in labour costs because of the recruitment of a number of new salespersons in the context of the positive business operations status of the Group in the second half of 2021 and opening of new medical examination centres, and the increase on the contribution base for social security and housing provident fund in July 2021.

Administrative Expenses

Our administrative expenses amounted to RMB109.9 million during the Reporting Period, representing a decrease of 2.4% from RMB112.6 million during the corresponding period in 2021.

Other Income

Our other income, which mainly comprised government subsidies, rental income and a gain on disposal of a subsidiary, amounted to RMB7.6 million during the Reporting Period (corresponding period in 2021: RMB10.5 million).

Other Losses

Our other losses during the Reporting Period amounted to RMB1.9 million, as compared to other losses of RMB1.2 million for the corresponding period in 2021. Other losses mainly represented losses on disposal of property and equipment and other miscellaneous losses.

Finance Costs — Net

Our net finance costs amounted to RMB62.3 million during the Reporting Period, as compared to the net finance costs of RMB81.1 million for the corresponding period in 2021. The exchange gains amounted to RMB7.8 million during the Reporting Period, representing an increase of RMB11.7 million from the exchange losses of RMB3.9 million for the corresponding period in 2021.

Share of Results of Investments Accounted for Using Equity Method

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 2021: RMB0.2 million) in its consolidated results, mainly due to (i) a share of profit of investments accounted for using equity method of RMB0.4 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 loss of investments accounted for using equity method of RMB0.2 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense

For the Reporting Period, income tax expense amounted to RMB2.0 million (corresponding period in 2021: income tax expense of RMB25.7 million). The decrease in income tax expense was mainly due to a decline in revenue during the Reporting Period.

Loss for the Period

For the foregoing reasons, we recorded a net loss of RMB168.6 million during the Reporting Period (corresponding period in 2021: a net loss of RMB30.1 million). The increase in net loss is mainly due to a decrease of 12.4% in revenue for the Reporting Period as compared to revenue for the corresponding period in 2021.

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 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 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,	
	2022	2021
	RMB'000	*RMB'000*
Calculation of adjusted EBITDA		
Loss for the period	**(168,553)**	(30,058)
Adjustments to the following items:		
Income tax expense	**2,017**	25,668
Finance costs — net	**62,315**	81,121
Depreciation and amortisation	**199,427**	189,420
Pre-opening expenses and EBITDA loss of soft-opening [(1)]	**7,909**	1,936
Share option expenses	**5,568**	8,538
Adjusted EBITDA	**108,683**	276,625
Adjusted EBITDA margin [(2)]	**12.4%**	27.7%

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 centres; and (b) the EBITDA loss incurred during the period when the newly opened medical examination centres commenced their operations.

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

The adjusted EBITDA amounted to RMB108.7 million during the Reporting Period, representing a decrease of 60.7% from RMB276.6 million for the corresponding period in 2021, mainly due to the increase in losses caused by the pandemic.

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, 2022, the property and equipment of the Group amounted to RMB1,463.8 million, representing a decrease of RMB35.2 million as compared to RMB1,499.0 million as at December 31, 2021.

Trade Receivables

As at June 30, 2022, the trade receivables of the Group amounted to RMB209.3 million, representing a decrease of RMB137.0 million as compared to RMB346.3 million as at December 31, 2021. The decrease is mainly due to seasonal fluctuations in the balance of trade receivables as the medical examination industry is in the peak season at the end of a year but in the off-season in the first half of a year, and partly due to a further decrease in revenue because of the pandemic during the Reporting Period.

Net Current Liabilities

As at June 30, 2022, the Group's current liabilities exceeded its current assets by RMB847.7 million (as at December 31, 2021: RMB588.4 million). The increase in the Group's net current liabilities were mainly due to a decrease in monetary funds as at the end of the Reporting Period, which were used in the second-phase expansion project of Nantong Rich Hospital and the purchase of medical equipment, and due to the decrease in trade receivables as a result of the decline in revenue during the Reporting Period.

Liquidity and Capital Resources

As at June 30, 2022, the Group had cash and cash equivalents of RMB560.9 million (as at December 31, 2021: RMB771.3 million), with available unused bank facilities of RMB138.2 million (as at December 31, 2021: RMB281.2 million). As at June 30, 2022, the Group had outstanding borrowings of RMB1,127.9 million (as at December 31, 2021: RMB1,248.9 million), with non-current portion of long-term borrowings of RMB348.5 million (as at December 31, 2021: RMB 474.7 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 minimize 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

In June 2022, the Group disposed all of its equity interest in Changzhou Rich (representing 57.92% of the total issued share capital of Changzhou Rich) to Jinxin Holdings Group Co., Ltd., a then minority shareholder of Changzhou Rich, at the consideration of RMB27,110,000. Upon completion of this transaction, the Group no longer has control over Changzhou Rich, and recognised a decrease in non-controlling interests of RMB19,147,000 and a gain of RMB757,000.

Please refer to the Company announcement dated June 1, 2022 in connection with such transaction for more details.

In June 2022, the Group acquired the 23.43% and 2.14% equity interest in Wuxi Rich from Jinxin Holdings Group Co., Ltd. and Shanghai Yuandi Financial Holdings Equity Investment Fund Management Co., Ltd., both of which were then minority shareholders of the hospital, at considerations of RMB24,860,000 and RMB4,500,000, respectively. Upon completion of the transaction, Wuxi Rich became an indirectly wholly-owned subsidiary of the Company.

Please refer to the Company announcement dated June 1, 2022 in connection with such transaction for more details.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB273.7 million (corresponding period in 2021: RMB290.0 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 centres; and (iii) the lease of business premises for new medical examination centres.

As at June 30, 2022, the Group had a total capital commitment of RMB65.3 million (as at December 31, 2021: RMB101.3 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, 2022, the Group had total bank and other borrowings of RMB1,127.9 million (as at December 31, 2021: RMB1,248.9 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, 2022 (as at December 31, 2021: Nil).

Financial Instruments

The Group did not have any financial instruments as at June 30, 2022 (as at December 31, 2021: Nil).

Gearing Ratio

As at June 30, 2022, on the basis of net debt divided by total capital, the Group's gearing ratio was 82.9% (as at December 31, 2021: 77.1%). The increase in gearing ratio was mainly due to a decline in monetary funds during the Reporting Period, which were used in the second-phase expansion project of Nantong Rich Hospital and the purchase of medical equipment, and partly due to a decrease in total assets resulting from a decline in owner's equity caused by losses during the Reporting Period.

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, 2022, borrowings of RMB834,900,000 were with floating interest rates (as at December 31, 2021: RMB865,923,000). 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 RMB3,827.2 million as at June 30, 2022 (as at December 31, 2021: RMB3,985.5 million).

Pledge of Assets

As at June 30, 2022, the Group had assets with a total carrying amount of RMB223,630,000 (as at December 31, 2021: assets of RMB265,682,000) and restricted deposits with an amount of RMB167,500,000 (as at December 31, 2021: restricted deposits of RMB115,500,000 and USD10,250,000, equivalent to RMB65,351,000) pledged for the Group's borrowings.

Besides, the Group had 22.06% equity interest in Nantong Rich Hospital (as at December 31, 2021: 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 7,944 employees as of June 30, 2022, as compared to 7,706 employees as of December 31, 2021. 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 fully utilised in accordance with the Group's development strategies, market conditions and intended use of such proceeds, which was disclosed in the Company's announcement dated June 15, 2021. Details are set out in the following table:

	Net amount available as at December 31, 2021 *RMB'000*	**Actual amount utilised during the Reporting Period** *RMB'000*	**Unutilised amount as at June 30, 2022** *RMB'000*
Second-phase Expansion Project of Nantong Rich Hospital	5,859	5,859	0
Total	5,859	5,859	0

INTERIM DIVIDEND

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

SUBSEQUENT EVENTS

(1) Major transaction in relation to the disposals of subsidiaries

On August 18, 2022, Shanghai Ruikui Healthcare Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司) ("**Shanghai Ruikui**"), a direct wholly-owned subsidiary of the Company, Hainan Xinmu and several guarantors entered into equity transfer agreement, pursuant to which Shanghai Ruikui agreed to sell and Hainan Xinmu agreed to purchase (i) the equity interest in Rici Shuixian held by Shanghai Ruikui, representing 60% of the total equity interest in Rici Shuixian, and (ii) the entire equity interest in Rici Ruijing Clinic Co.,Ltd. (上海瑞慈瑞靜門診部有限公司) ("**Rici Ruijing**"), at a total consideration of RMB287.0 million, subject to adjustments with a mark-up not expected to exceed RMB12.0 million.

Upon completion, Shanghai Ruikui will cease to have any equity interest in Rici Shuixian and Rici Ruijing, and thus Rici Shuixian and Rici Ruijing will cease to be the subsidiaries of the Group and the financial results of Rici Shuixian and Rici Ruijing will no longer be consolidated into the consolidated financial statements of the Group.

Please refer to the Company announcement dated August 18, 2022 in connection with such transaction for more details.

(2) Discloseable transaction in relation to subscription of shares in Unicorn II Holdings Limited

On August 18, 2022, the Company, Unicorn II Holdings Limited and New Frontier Public Holding Ltd. entered into a share subscription agreement, pursuant to which the Company agreed to subscribe for the shares of Unicorn II Holdings Limited at a total consideration of approximately RMB180.0 million. Upon completion, Unicorn II Holdings Limited will issue and allot the shares to the Company and the Company will hold minority interest in Unicorn II Holdings Limited.

Please refer to the Company announcement dated August 18, 2022 in connection with such transaction for more details.

CORPORATE GOVERNANCE PRACTICES

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 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 provisions C.1.8 and C.2.1 of the CG Code.

Code provision C.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. For the Reporting Period, the Company did not have insurance cover for legal action against the Directors. However, pursuant to the Company's articles of association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. In view of the above, the Board considers that the Directors' exposure to litigation risk is manageable even if there is no insurance cover for legal action against the Directors.

Pursuant to code provision C.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 30, 2022

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.