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, 2022

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations for the year ended December 31, 2022 was RMB2,375.0 million, representing a decrease of 0.1% from revenue of RMB2,377.2 million from continuing operations for the year ended December 31, 2021.

- Gross profit from continuing operations for the year ended December 31, 2022 was RMB927.2 million, representing a decrease of 4.9% from gross profit of RMB975.2 million from continuing operations for the year ended December 31, 2021.

- Profit attributable to owners of the Company for the year ended December 31, 2022 amounted to RMB290.8 million, as compared to profit attributable to owners of the Company of RMB181.6 million for the year ended December 31, 2021.

- Adjusted EBITDA from continuing operations for the year ended December 31, 2022 was RMB819.1 million, representing a decrease of 2.9% from adjusted EBITDA of RMB843.2 million from continuing operations for the year ended December 31, 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**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2022 (the "**Reporting Period**") with the comparative figures for the year ended December 31, 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Represented)
Continuing operations			
Revenue	15	**2,375,027**	2,377,207
Cost of sales	16	**(1,447,825)**	(1,401,990)
Gross profit		**927,202**	975,217
Distribution costs and selling expenses	16	**(286,843)**	(252,206)
Administrative expenses	16	**(222,413)**	(219,136)
Net reversal of impairment loss/(impairment losses) on financial assets	16	**3,448**	(1,795)
Other income		**22,038**	20,178
Other losses		**(11,754)**	(5,879)
Operating profit		**431,678**	516,379
Finance costs	17	**(111,327)**	(132,054)
Finance income	17	**6,420**	6,947
Finance costs — net	17	**(104,907)**	(125,107)
Share of results of investments accounted for using equity method		**419**	803
Profit before income tax		**327,190**	392,075
Income tax expense	18	**(84,041)**	(98,373)
Profit for the year from continuing operations		**243,149**	293,702

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Represented)
Discontinued operations			
Profit/(loss) for the year from discontinued operations		**24,038**	(167,597)
Profit for the year		**267,187**	126,105
Profit/(Loss) attributable to:			
Owners of the Company		**290,793**	181,553
Non-controlling interests		**(23,606)**	(55,448)
		267,187	126,105
Earnings/(Loss) per share			
From continuing operations and discontinued operations			
— Basic and diluted	19	**RMB0.18**	RMB0.11
From continuing operations		**RMB0.15**	RMB0.19
From discontinuing operations		**RMB0.03**	RMB(0.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Represented)
Profit for the year	**267,187**	126,105
Other comprehensive income		
— Change in fair value of financial assets at fair value through other comprehensive income	**1,725**	—
Total comprehensive income for the year	**268,912**	126,105
Total comprehensive income attributable to:		
Owners of the Company	**292,518**	181,553
Non-controlling interests	**(23,606)**	(55,448)
	268,912	126,105

CONSOLIDATED BALANCE SHEET

As at December 31, 2022

	Note	**31 December 2022** *RMB'000*	31 December 2021 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,444,578**	1,498,990
Right-of-use assets	4	**1,219,532**	1,275,275
Intangible assets		**5,388**	10,871
Investments accounted for using equity method		**9,122**	8,703
Financial assets at fair value through profit or loss		**1,500**	1,500
Financial assets at fair value through other comprehensive income		**181,725**	—
Deposits for long-term leases		**51,993**	44,324
Deferred tax assets	5	**124,806**	213,488
Other receivables	7	**110,000**	—
Prepayments	9	**61,893**	41,310
		3,210,537	3,094,461
Current assets			
Inventories		**38,727**	50,994
Trade receivables	6	**278,712**	346,319
Other receivables	7	**160,280**	48,876
Prepayments	9	**40,947**	37,525
Amounts due from related parties		**1,114**	5,909
Cash and cash equivalents	8	**720,141**	771,264
Restricted cash	8	**116,400**	180,851
		1,356,321	1,441,738
Total assets		**4,566,858**	4,536,199

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	**1,065**	1,065
Reserves		**952,853**	676,435
		953,918	677,500
Non-controlling interests		**(49,092)**	(90,074)
Total equity		**904,826**	587,426
LIABILITIES			
Non-current liabilities			
Borrowings	11	**320,159**	474,721
Lease liabilities	12	**1,097,716**	1,204,422
Other financial liabilities		**—**	145,464
Deferred income		**90,296**	94,076
		1,508,171	1,918,683
Current liabilities			
Borrowings	11	**615,166**	774,202
Lease liabilities	12	**265,509**	289,952
Contract liabilities	13	**552,090**	405,294
Trade and other payables	14	**481,852**	500,729
Amounts due to related parties		**133**	134
Income tax payables		**69,351**	54,174
Other financial liabilities		**162,920**	—
Deferred income		**6,840**	5,605
		2,153,861	2,030,090
Total liabilities		**3,662,032**	3,948,773
Total equity and liabilities		**4,566,858**	4,536,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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 2022 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 2022, the Group's current liabilities exceeded its current assets by RMB797,540,000. Contract liabilities and deferred income included in current liabilities of the Group as at 31 December 2022 amounting to RMB558,930,000 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 unutilised banking facilities. 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 HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework

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 2022 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	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	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 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 two 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 allocated in the PRC, and accordingly, no geographical segment analysis has been prepared.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments, as a result of the disposal of the specialty hospitals services business. Prior year segment disclosures have been represented to conform with the current year's presentation.

(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 maternity care services provided by Nantong Advanced Hejia Maternal and Child Nursing Service 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.

An operating segment regarding to the specialty hospitals services was discontinued in the current year. The segment information reported in the following table does not include any amounts for the discontinued operations.

The following table presents revenue and profit information regarding the Group's operation segments for the year ended 31 December 2022 and 2021, 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*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Continuing operations					
For the year ended 31 December 2022					
Revenue	631,112	1,765,390	—	(21,475)	2,375,027
Segment profit/(loss)	135,242	525,649	(20,532)	—	640,359
Administrative expenses					(222,413)
Net reversal of impairment losses on financial assets					3,448
Interest income					6,420
Interest expenses					(123,052)
Net exchange gains					11,725
Other income					22,038
Other losses					(11,754)
Share of results of investments accounted for using equity method					419
Profit before income tax					327,190
Income tax expense					(84,041)
Profit for the year from continuing operations					243,149

	General hospital *RMB'000*	Medical examination centres *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 31 December 2022					
Segment assets	1,603,527	3,728,725	1,218,944	(1,984,338)	4,566,858
Segment liabilities	962,875	3,162,734	699,139	(1,162,716)	3,662,032
Other information					
Addition to property and equipment, right-of-use assets and intangible assets	142,761	600,831	997	—	744,589
Depreciation and amortisation	27,341	313,329	133	—	340,803

	General hospital *RMB'000*	Medical examination centres *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000* (Represented)
Continuing operations					
For the year ended 31 December 2021					
Revenue	704,209	1,696,363	—	(23,365)	2,377,207
Segment profit/(loss)	174,974	558,739	(10,702)	—	723,011
Administrative expenses					(219,136)
Net impairment losses on financial assets					(1,795)
Interest income					6,947
Interest expenses					(123,549)
Net exchange losses					(8,505)
Other income					20,178
Other losses					(5,879)
Share of results of investments accounted for using equity method					803
Profit before income tax					392,075
Income tax expense					(98,373)
Profit for the year from continuing operations					293,702

	Continuing Operations			Discontinued Operations			
	General hospital *RMB'000*	Medical examination centres *RMB'000*	Subtotal *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	4,721,547	838,013	839,222	(1,862,583)	4,536,199
Segment liabilities	992,851	2,770,110	3,762,961	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	577,827	14,832	—	—	592,659
Depreciation and amortisation	28,203	279,450	307,653	76,858	—	—	384,511

4 RIGHT-OF-USE ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Properties	**1,201,629**	1,251,864
Equipment	**15,005**	20,413
Land use rights	**2,898**	2,998
	1,219,532	1,275,275

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
Year ended 31 December 2022				
Opening net book amount	**1,251,864**	**20,413**	**2,998**	**1,275,275**
Additions	**437,240**	**—**	**—**	**437,240**
Disposal of subsidiaries	**(273,048)**	**—**	**—**	**(273,048)**
Lease modification	**912**	**—**	**—**	**912**
Disposal	**(4,790)**	**—**	**—**	**(4,790)**
Depreciation	**(210,549)**	**(5,408)**	**(100)**	**(216,057)**
Closing net book amount	**1,201,629**	**15,005**	**2,898**	**1,219,532**
At 31 December 2022				
Cost	**1,774,358**	**32,445**	**4,698**	**1,811,501**
Accumulated depreciation	**(572,729)**	**(17,440)**	**(1,800)**	**(591,969)**
Net book amount	**1,201,629**	**15,005**	**2,898**	**1,219,532**

(a) As at 31 December 2022, land with a total carrying amount of RMB2,898,000 (31 December 2021: RMB2,998,000) were pledged for the Group's borrowings.

5 DEFERRED TAX ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**55,807**	138,572
Right-of-use assets and lease liabilities	**34,710**	41,592
	90,517	180,164
Others:		
Share option scheme	**27,532**	24,834
Loss allowances for financial assets	**2,053**	3,059
Deferred income	**1,401**	1,401
Impairment of property and equipment	**3,303**	1,597
Others	**—**	2,433
	34,289	33,324
Total deferred tax assets	**124,806**	213,488

6 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**287,752**	359,616
Less: Loss allowance	**(9,040)**	(13,297)
	278,712	346,319

As at 31 December 2022 and 2021, 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	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables		
— Up to 6 months	**275,464**	340,296
— 6 months to 1 year	**4,413**	11,258
— 1 to 2 years	**5,537**	4,423
— 2 to 3 years	**790**	977
— Over 3 years	**1,548**	2,662
	287,752	359,616

7 OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loans to non-controlling interests of subsidiaries	**59,000**	16,000
Deposits	**14,497**	13,095
Advances to staff	**11,460**	6,049
Prepaid value-added tax recoverable and refundable	**—**	4,667
Interest receivables	**3,257**	1,772
Note receivable	**—**	400
Others	**183,818**	8,649
	272,032	50,632
Less: Loss allowance	**(1,752)**	(1,756)
	270,280	48,876
Current	**160,280**	48,876
Non-current	**110,000**	—
	270,280	48,876

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

As at 31 December 2022 and 2021, 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	
	2022	2021
	RMB'000	*RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**647,578**	626,408
— Denominated in HKD	**55,173**	141,940
— Denominated in USD	**17,390**	2,916
	720,141	771,264

(b) Restricted cash

As at 31 December 2022, fixed deposits of RMB52,000,000 (2021: USD10,250,000, equivalent to RMB65,351,000 and RMB115,500,000) were pledged at banks for the Group's borrowings of RMB50,000,000 (31 December 2021: RMB170,000,000).

Fixed deposit of RMB 63,500,000 was restricted in bank system as at December 31, 2022 and released on January 6, 2023. The amount of RMB900,000 is guarantee deposits for gas heating service.

9 PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non-current:		
Prepayment for property and equipment	**61,893**	41,310
Current:		
Prepayment for consumables	**17,308**	10,662
Others	**23,639**	26,863
	40,947	37,525
Total prepayments	**102,840**	78,835

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Par value**	**Share capital**
		RMB	*RMB'000*
As at 31 December 2022 and 2021	1,590,324,000	0.00067	1,065

11 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Bank borrowings — secured and/or guaranteed	**893,000**	1,148,997
Other borrowings — secured and guaranteed	**42,325**	99,926
Less: Non-current portion	**(320,159)**	(474,721)
Total current borrowings	**615,166**	774,202

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

12 LEASE LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**265,509**	289,952
After 1 year but within 2 years	**225,992**	242,742
After 2 years but within 5 years	**520,374**	534,478
After 5 years	**351,350**	427,202
	1,363,225	1,494,374

13 CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sales of medical examination cards	**493,885**	309,476
Advances from medical examination customers	**51,444**	91,248
Advances from hospital patients	**6,761**	4,570
	552,090	405,294

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables due to third parties (a)	**170,825**	189,173
Staff salaries and welfare payables	**88,549**	101,527
Payables for purchase of property and equipment	**134,530**	92,469
Deposits payable	**18,831**	22,833
Accrued taxes other than income tax	**3,028**	10,558
Accrued professional service fees	**1,276**	2,280
Interest payables	**1,145**	1,576
Accrued advertising expenses	**558**	1,116
Others	**63,110**	79,197
	481,852	500,729

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
— Up to 3 months	**150,559**	113,696
— 3 to 6 months	**5,672**	40,788
— 6 months to 1 year	**2,031**	13,614
— 1 to 2 years	**3,600**	8,019
— 2 to 3 years	**532**	1,289
— Over 3 years	**8,431**	11,767
	170,825	189,173

The trade and other payables are usually paid within 60 days of recognition. As at 31 December 2022 and 2021, 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	
	2022	2021
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
General hospital		
Outpatient pharmaceutical revenue	**68,647**	67,105
Outpatient service revenue	**88,122**	90,805
Inpatient pharmaceutical revenue	**222,599**	275,724
Inpatient service revenue	**230,269**	247,210
Medical examination centres		
Examination service revenue	**1,763,194**	1,694,789
Management service revenue and others	**2,196**	1,574
	2,375,027	2,377,207

16 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
Employee benefit expenses	**901,209**	809,984
Depreciation and amortization	**340,803**	307,653
Pharmaceutical costs	**211,918**	224,710
Outsourced testing expenses	**156,558**	161,419
Medical consumables costs	**141,222**	134,845
Advertising expenses	**68,605**	70,925
Utility expenses	**42,383**	43,014
Office expenses	**35,682**	29,195
Professional service charges	**20,677**	22,475
Maintenance expenses	**17,432**	15,319
Entertainment expenses	**12,595**	15,769
Travel expenses	**8,467**	8,973
Short-term or low-value operating lease rentals	**4,955**	3,070
Laundry expenses	**4,145**	2,154
Labour union dues	**3,717**	4,398
Stamp duty and other taxes	**3,276**	3,869
Auditor's remuneration		
— Audit services	**1,350**	2,280
— Non-audit services	**570**	317
Security costs	**21**	406
Gain on lease modification	**(3,343)**	(2,642)
Net reversal of (impairment loss)/impairment losses on financial assets	**(3,448)**	1,795
Covid-19 related rent concessions	**(28,862)**	—
Other expenses	**13,701**	15,199
	1,953,633	1,875,127

17 FINANCE COSTS — NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
Interest on lease liabilities	**(73,880)**	(69,307)
Interest on borrowings	**(52,581)**	(65,192)
Interest on other financial liabilities	**(17,456)**	(15,585)
	(143,917)	(150,084)
Amount capitalised	**20,865**	26,535
	(123,052)	(123,549)
Net exchange gains/(losses)	**11,725**	(8,505)
Finance costs	**(111,327)**	(132,054)
Interest income	**6,420**	6,947
Finance income	**6,420**	6,947
Finance costs — net	**(104,907)**	(125,107)

18 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
Current income tax		
— Current year	**85,366**	80,322
— Adjustments for current tax of prior periods	**(1,259)**	(208)
Deferred income tax	**(66)**	18,259
Income tax expense	**84,041**	98,373

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 and 2022, the CIT rate applicable to some of the subsidiaries in mainland China is 15%.

19 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings 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	
	2022	2021
Net earnings/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	**233,124**	298,349
— Discontinued operations	**57,669**	(116,796)
Total profit from continuing operations and discontinued operations	**290,793**	181,553
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic earnings per share (RMB)	**0.18**	0.11

(b) Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account, where applicable:

- 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 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 DIVIDEND

No dividend had been declared or paid during the year (2021:Nil) and the Board has resolved not to propose any final dividend for the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

2022 is the second year of the 14th Five-Year Plan, which is also a critical point for promoting the quality development of the healthcare service industry. In early 2022, the National Health Commission issued the Guiding Principles for Planning the Establishment of Medical Institutions (2021–2025) (《醫療機構設置規劃指導原則(2021–2025年)》), proposed to build a high quality, balanced and efficient healthcare service system. Industry merge and acquisition (M&A) and consolidation cases have increased significantly since the pandemic. According to the China Equity Investment Market Research Report 2022 (《2022年中國股權投資市場研究報告》) published by Zero2IPO Research (清科研究), biotechnology/healthcare was the industry with the highest number of investment cases in the China M&A market in 2022.

In the hospital industry, in recent years, the Chinese government has introduced a number of policies to encourage the development of nongovernmental hospitals to increase the supply of medical services to alleviate the problem of large supply-demand gap and unbalanced distribution of medical services. The Report to the 20th National Congress of the Communist Party of China stated that the development of private hospitals shall be standardized, the policy of which, from the 18th to 20th National Congress, has shifted from "encouraging" to "supporting" and further to "being standardized". Such change showed that the future development of private hospitals would be systematic and standardized, with more emphasis on improving quality and efficiency, and the development environment of private hospitals would be further optimized. The Nantong Healthcare Development Plan during the 14th Five-Year Plan (《南通市「十四五」衛生健康發展規劃》) proposed to improve the policy system of healthcare industry, not to impose planning restrictions on the total amount of places and spatial layout of socially run medical institutions, and to guide social capital to run medical institutions in new urban areas, suburban areas and other areas with relatively weak medical resources. In addition, this Plan encouraged social capital to run medical institutions for shortages of mental, rehabilitation and nursing care and facilitated the development of such institutions to become high-end, large-scale and collective organizations, so as to drive their own development at a high level. It was encouraged that public and private hospitals develop cooperation in talent, technology and management, support the innovation of service models and supervision, and strengthen the supervision of service quality, collaborative supervision and industry integrity governance, so as to continuously improve the level of standardization, normalization and internationalization.

In terms of the medical examination industry, according to the China Health Statistics Yearbook (《中國衛生健康統計年鑒》) issued previously, the number of medical examinations in 2021 was 549 million, an increase of 60% compared to 344 million in 2011, and the penetration rate of the national medical examination industry was 38.9% in 2021. As China had a large number of sub-healthy people, chronic disease patients and elderly people, it launched the national strategy of "Healthy China" (健康中國). As a result, the concept of health gradually changed from "disease treatment-centered" to "health promotion-centered", driving the long-term development of the industry. With the continuous optimization of the pandemic prevention and control policy in the second half of 2022, the concept of "being the first person responsible for one's own health" gained popularity, and the public had a stronger demand for health management services, which, coupled with the factors of short-term shortage of public medical resources, has led to a positive recovery in the industry.

General Hospital Business

Nantong Rich Hospital, as the first private Class III Grade B general hospital in Jiangsu province, is one of the three high-level large-scale integrated medical institutions in Nantong. Nantong Rich Hospital took the initiative and acted proactively to ensure the pandemic prevention and control in Nantong Development Zone, and supported Shanghai, Wuxi, Xinjiang and Beijing. In September 2022, XMEDIC International Medical Center of Nantong Rich Hospital Phase II was officially put into trail operation, which has become a new masterpiece for Rici to seek differentiated development in Nantong and precisely meet the diverse medical demands of people.

During the Reporting Period, Nantong Rich Hospital and its partner hospitals actively promoted "Internet+" medical treatment and launched regular remote single-disciplinary treatment and multidisciplinary treatment (MDT) services by Shanghai experts. During the Reporting Period, the Hospital obtained outstanding achievements in relation to scientific research. It successfully applied for 12 topics of Nantong Health Commission (南通市衛健委) and two topics of Nantong Science and Technology Bureau (南通市科技局), won the third prize of Nantong New Technology Introduction Award (南通市新技術引進獎), and two employees were awarded the title of the third-level cultivation target of the Sixth Session of Jianghai Talent Cultivation Project of Nantong City (南通市第六期江海英才市級培養專項).

In October 2022, Nantong Rich Hospital signed cooperation agreements with six renowned hospitals affiliated with Fudan University in Shanghai, including Zhongshan Hospital, Huashan Hospital, Oncology Hospital, Obstetrics and Gynecology Hospital, Pediatric Hospital, and Eye and ENT Hospital. In the future, "Fudan Medical" (復旦醫療) will work with Rici to build a clinical medical sub-center for special diseases, cultivate new management and medical innovation talents for Rici, and help Nantong Rich Hospital achieve high quality development of comprehensive strength.

During the Reporting Period, due to the implementation of the pandemic prevention requirements during the resurgence of the pandemic, the regular medical treatment of Nantong Rich Hospital was affected. It provided services for 356,610 outpatient visits (2021: 357,611) and 26,141 inpatient visits (2021: 29,395), representing a year-on-year decline of 0.3% and 11.1%, respectively. Nantong Rich Hospital optimized its revenue structure by improving its core indicators, actively treating COVID-19 cases from physical examination section, and increasing medical revenue from outpatient examinations and tests. During the same period, the drug ratio decreased by 2.6 percentage points, the average hospital stay was shortened by 0.54 day, the surgery to discharge ratio increased by 3.1 percentage points, and the service revenue increased by 2.6 percentage points.

Located in Nantong Rich Hospital, Rich Meidi Elderly Care Center is jointly formed by Nantong Rich Hospital and Medical Care Service, which is a senior care institution combined with medical and wellness services integrating professional senior care, nursing care, and rehabilitation and physical therapy. As of December 31, 2022, the care center served 101 elderly people (2021: 103) with an occupancy rate of 94.2% (2021: 95.3%). The occupancy rate decreased by 1.1 percentage points during the Reporting Period compared to last year as the care center implemented the pandemic prevention requirements for fully closed-off management during the pandemic.

Medical Examination Business

The revenue of the medical examination business accounts for the largest share of the Group's total revenue. During the Reporting Period, the Group continued to adhere to the strategy of dual brand operation and development of key markets, with the mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC International Medical Examination Center" complementing each other, and continued to cultivate the two key markets of Shanghai and Jiangsu, and actively explore the Greater Bay Area and other regional core cities. As of December 31, 2022, the Group had 74 medical examination centers in China, among which 60 centers were in operation, covering 29 cities. Their presence was mainly concentrated on first tier, new first tier and second tier cities.

During the Reporting Period, in order to comprehensively improve the quality of medical examination services, the medical examination segment implemented "quality management projects" to "perfect medical quality, optimize service processes, improve the environment, enhance service etiquette, and enhance breakfast quality, etc." In terms of medical quality control, this segment provided stratified management and return visits for important abnormal results, and provided interpretation of individual reports, consultation and health education if necessary. In terms of optimizing the service flow, it increased the number of medical guides and roving staff, and regularly maintained the equipment to shorten the waiting time of people requiring medical examinations. In terms of improving the medical examination experience, it beautified the environment and improved staff service etiquette. Through the implementation of the quality management project, it has achieved remarkable results, including scientific and reasonable processes, thoughtful and delicate services, concise and orderly inspections, and timely and accurate reports.

During the Reporting Period, the spreading of the COVID-19 pandemic in regions across China, especially the closure and control of Shanghai in the first half of the year and the surge in the rate of COVID-19 infections brought about by the major adjustment of the pandemic prevention policy at the end of the year, disrupted the normal operation of the Group's medical examination business, which had brought a certain degree of negative impact. In this generally difficult environment for the medical examination industry, the Group insisted on improving medical quality and service quality and continued to optimize the customer structure. It steadily promoted the transformation and upgrade of its business from corporate customers to individual customers by actively developing online sales, etc., and still achieved a modest growth in revenue from medical examination business. During the Reporting Period, the total number of visits of customers under our medical examination business was 3,258,924 (2021: 3,243,761), representing a year-on-year increase of 0.5%, where corporate clients comprise the main customer base of the Group for medical examination services, accounting for approximately 76.0%. During the Reporting Period, the number of corporate and individual customers was 2,476,135 and 782,789, respectively (2021: 2,426,879 and 816,882, respectively), representing an increase of 2.0% and a decrease of 4.2%, respectively. The average spending per capita was RMB541.0 (2021: RMB522.6), an increase of 3.5% compared with the same period last year.

Specialty Hospital Business

According to data released by the National Bureau of Statistics of China (中華人民共和國國家統計局), 9.56 million people were born nationwide in 2022, 1.06 million fewer than in 2021, with a birth rate of 0.677% lower than that in 2021 by 0.075 percentage point. The average years of education of the working-age population reached 10.93 years, 0.11 years more than that in 2021, showing a decrease in the number of births in recent years, while with improving population quality. Against this background, taking into account the current economic environment, market competition and the financial impact of the OGP specialty business on the Group, the Group has gradually exited the OGP specialty business during the Reporting Period. During the Reporting Period, the Group received a total of 32,682 outpatient and inpatient clients and 458 clients in maternity care centers before disposing of the OGP specialty business.

Prospects

The development of private hospitals is driven by the long-term demand for medical care arising from aging and chronic diseases. With the promulgation of the new medical reform and other policies, the private hospital industry is gradually returning to its medical essence. Through professional and meticulous medical services, private hospitals provide patients with a comprehensive and quality medical experience, addressing the needs of ordinary users for medical care. In the future, while providing basic medical services, private hospitals will gradually enter the market for high-end and special needs services to meet the demand for medical and health services at different levels. Nantong Rich Hospital will aim to become a Class III Grade A general hospital and one of the three major medical centers in Nantong. Specifically, it will strengthen the construction of disciplines and focus on the development of key specialties such as oncology, geriatrics and critical care; also, it will deepen cooperation with hospitals affiliated with Fudan University to continuously improve medical technology, service quality and brand reputation; besides, it will build a strongly competitive medical talent pipeline, and introduce, select and evaluate discipline leaders, to build a technical backbone team.

The private medical examination industry has suffered a relatively large impact from the COVID-19 pandemic in the past three years, disrupting the normal operations and market expansion strategies. But at the same time, the COVID-19 pandemic has also greatly promoted the health awareness of the residents, and the consumer demand for high-quality medical examination service products is stronger than ever. After the adjustment of the pandemic prevention policy, the private medical examination industry is expected to gradually pick up. Coupled with the gradually mature, standardized and acceptable online sales for consumers such as “livestreaming e-commerce” in recent years, it is anticipated that the number of individual customers in the private medical examination industry will continue to grow rapidly. In this context, the medical examination business of the Group will continue to implement the dual-brand strategy of the mid-to-high-end medical examination, “Rici Medical Examination”, and the high-end medical examination, “XMEDIC International Medical Examination Center”, complementing each other, to meet the new needs of consumers for medical examination services in the post-pandemic era; it will continue to cultivate the Shanghai and Jiangsu markets, actively develop the Greater Bay Area and Zhejiang market, and gradually explore other new markets; in addition, it will further enhance operational efficiency by improving the management model and optimizing the staff structure.

FINANCIAL REVIEW

Revenue

Our revenue from our continuing operations was mainly generated from 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 31 December		Percentage
	2022	2021	change
	RMB'000	*RMB'000*	
		(Restated)	
Continuing Operations			
General Hospital Business	**631,112**	704,209	(10.4%)
Medical Examination Business	**1,765,390**	1,696,363	4.1%
Inter-segment	**(21,475)**	(23,365)	(8.1%)
Total	**2,375,027**	2,377,207	(0.1%)

Revenue from our continuing operations fell by 0.1% from RMB2,377.2 million in 2021 to RMB2,375.0 million in 2022.

Revenue from the general hospital business in 2022 amounted to RMB609.6 million, representing a decrease of 10.5% from the revenue of RMB680.8 million in 2021, excluding the inter-segment revenue of RMB21.5 million and RMB23.4 million in 2022 and 2021, respectively. This is largely because inpatient revenue dropped by RMB70.1 million due to a decline of 11.1% in the number of inpatient stays.

Revenue from the medical examination business in 2022 amounted to RMB1,765.4 million, representing an increase of 4.1% from RMB1,696.4 million in 2021, primarily due to an increase of 0.5% in the number of customer visits and a rise of 3.5% in per capita spending.

Cost of Sales

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

	Year ended 31 December		Percentage
	2022	2021	change
	RMB'000	*RMB'000*	
		(Restated)	
Continuing Operations			
General Hospital Business	**492,337**	528,135	(6.8%)
Medical Examination Business	**976,963**	897,220	8.9%
Inter-segment	**(21,475)**	(23,365)	(8.1%)
Total	**1,447,825**	1,401,990	3.3%

Cost of sales for our continuing operations increased by 3.3% from RMB1,402.0 million in 2021 to RMB1,447.8 million in 2022.

Cost of sales of the general hospital business during 2022 amounted to RMB492.3 million, representing a decrease of 6.8% from RMB528.1 million in 2021. The decrease in cost of sales is primarily due to the decline in revenue of the general hospital business in 2022.

Cost of sales of the medical examination business in 2022 amounted to RMB977.0 million, representing an increase of 8.9% from RMB897.2 million in 2021. The main reason is the increase in revenue from medical examination business in 2022 and our cost grew faster than revenue in terms of the newly opened medical examination centers in 2022.

Gross Profit

Our gross profit from continuing operations fell from RMB975.2 million in 2021 to RMB927.2 million in 2022. Gross profit margin dropped by 2.0 percentage points from 41.0% in 2021 to 39.0% in 2022.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses for continuing operations amounted to RMB286.8 million in 2022, as compared to RMB252.2 million in 2021 mainly due to the increased labor costs.

Administrative Expenses

Administrative expenses for continuing operations amounted to RMB222.4 million in 2022, as compared to RMB219.1 million in 2021.

Other Income

Our other income from continuing operations, which is mainly comprised of government subsidies, rental income and income from short-term wealth management products, amounted to RMB22.0 million in 2022 (2021: RMB20.2 million).

Other Losses

Our other losses from continuing operations, which are mainly comprised of expenses of pandemic prevention incurred by our general hospital business, amounted to RMB11.8 million in 2022 (2021: RMB5.9 million).

Finance Costs — Net

Our net finance costs from continuing operations amounted to RMB104.9 million in 2022, as compared to the net finance costs of RMB125.1 million in 2021. Exchange gains amounted to RMB11.7 million in 2022, while the exchange losses in 2021 was RMB8.5 million.

Share of Results of Investments Accounted for Using Equity Method

In 2022, the Group recognized a share of profit of RMB0.4 million from investments accounted for using equity method (2021: 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 loss of investments accounted for using equity method of RMB0.3 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense

In 2022, income tax expense for continuing operations amounted to RMB84.0 million (2021: income tax expense of RMB98.4 million). The decrease in income tax was mainly due to a decline in income tax expense resulted from a decrease in the profit from continuing operations for the year.

Discontinued Operations

During the Reporting Period, the Group has completed the disposal of the specialty hospital business. The specialty hospital business is therefore classified as discontinued operations.

The net profit from our discontinued operations in 2022 was RMB24.0 million, which was mainly attributable to the gain on disposal of specialty hospitals, compared to a net loss of RMB167.6 million from our discontinued operations in 2021.

The results of the specialty hospital business for the years ended December 31, 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**89,779**	129,315
Cost of sales	**(127,927)**	(205,406)
Gross loss	**(38,148)**	(76,091)
Distribution costs and selling expenses	**(21,464)**	(29,139)
Administrative expenses	**(74,325)**	(29,300)
Net impairment losses on financial assets	**—**	(6)
Other income	**697**	1,693
Other losses	**(2,403)**	(156)
Operating loss	**(135,643)**	(132,999)
Finance costs	**(18,442)**	(31,631)
Finance income	**19**	33
Finance costs — net	**(18,423)**	(31,598)
Loss before income tax	**(154,066)**	(164,597)
Gain on disposal of subsidiaries	**208,028**	—
Income tax expenses	**(29,924)**	(3,000)
Profit/(loss) for the year from discontinued operations	**24,038**	(167,597)

Profit for the Year

For the foregoing reasons, we recorded a net profit of RMB267.2 million in 2022 (2021: a net profit of RMB126.1 million). The increase in net profit was mainly due to the increase in revenue from the medical examination business, and the gain on the sale of the Group's OGP specialty hospitals.

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 defined adjusted EBITDA as loss/profit for the year before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA is not an alternative to (i) loss/profit before income tax or loss/profit for the 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 years under HKFRSs to our definition of adjusted EBITDA for the years indicated.

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(restated)
Calculation of adjusted EBITDA from continuing operations		
Profit for the year	**243,149**	293,702
Adjustments to the following items:		
Income tax expense	**84,041**	98,373
Finance costs — net	**104,907**	125,107
Depreciation and amortization	**340,803**	307,653
Pre-opening expenses and EBITDA loss of soft-opening(1)	**35,284**	1,527
Share option expenses	**10,948**	16,861
Adjusted EBITDA	**819,132**	843,223
Adjusted EBITDA margin(2)	**34.5%**	35.5%

Notes:

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

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

Adjusted EBITDA from continuing operations amounted to RMB819.1 million in 2022, representing a decrease of 2.9% from RMB843.2 million in 2021.

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, 2022, the property and equipment of the Group totally amounted to RMB1,444.6 million, representing a decrease of RMB54.4 million as compared to RMB1,499.0 million as at December 31, 2021. The decrease in properties and equipment was primarily due to the sale of specialty hospitals by the Group, leading to a decrease in properties and equipment.

Trade Receivables

As at December 31, 2022, the trade receivables of the Group were RMB278.7 million, representing a decrease of RMB67.6 million as compared to RMB346.3 million as at December 31, 2021.

Net Current Liabilities

As at December 31, 2022, the Group's current liabilities exceeded its current assets by RMB797.5 million (as at December 31, 2021: current liabilities exceeded its current assets by RMB588.4 million). The growth in the Group's net current liabilities were mainly due to the classification of the Group's other financial liabilities from non-current liabilities last year to current liabilities.

Liquidity and Capital Resources

As at December 31, 2022, the Group had cash and cash equivalents of RMB720.1 million (as at December 31, 2021: RMB771.3 million), with available unused bank facilities of RMB170.0 million (as at December 31, 2021: RMB281.2 million). As at December 31, 2022, the Group had outstanding borrowings of RMB935.3 million (as at December 31, 2021: RMB1,248.9 million), with non-current portion of long-term borrowings of RMB320.2 million (as at December 31, 2021: RMB474.7 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 another twelve months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimise the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to note 8 to the consolidated financial information.

Significant Investments, Material Acquisitions and Disposals

On June 1, 2022, Shanghai Ruikui Health Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司) ("**Shanghai Ruikui**") (an indirectly wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Jinxin Holdings Group Co., Ltd. (金新控股集團有限公司) ("**Jinxin Holdings**") and the other minority shareholders of Changzhou Rich Hospital Co., Ltd. (常州瑞慈醫院有限公司) ("**Changzhou Rich**") and Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. (無錫瑞慈婦產醫院有限公司) ("**Wuxi Rich**"), pursuant to which, among others, (i) Shanghai Ruikui agreed to purchase and Jinxin Holdings agreed to sell 23.43% of the total equity interest in Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. (無錫瑞慈婦產醫院有限公司) ("**Wuxi Rich**") held by Jinxin Holdings; and (ii) Shanghai Ruikui agreed to sell and Jinxin Holdings agreed to purchase 57.92% of the total equity interest in Changzhou Rich Hospital Co., Ltd. (常州瑞慈醫院有限公司) ("**Changzhou Rich**") held by Shanghai Ruikui. Upon completion, (i) Shanghai Ruikui ceased to hold any equity interest in Changzhou Rich, (ii) Jinxin Holdings ceased to hold any equity interest in Wuxi Rich and ceased to be a connected person at the subsidiary level of the Company, and Wuxi Rich will became an indirectly wholly-owned subsidiary of the Company. For details, please refer to the Company's announcements dated June 1, 2022 and June 15, 2022.

On August 18, 2022, Shanghai Ruikui, Hainan Xinmu Medical Management Co., Ltd. (海南新睦醫療管理有限公司) (the "**Purchaser**") and certain guarantors, being Unicorn II Holdings Limited, Beijing Jingbei Women & Children United Family Hospital Co., Ltd. (北京和睦家京北婦兒醫院有限公司), Tianjin United Family Hospital (天津和睦家醫院有限公司) and Qingdao United Family Hospital (青島和睦家醫院有限公司), entered into an equity transfer agreement, pursuant to which, Shanghai Ruikui agreed to sell and the Purchaser agreed to purchase (i) the equity interest in Rici Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦兒醫院有限公司) ("**Rici Shuixian**") held by Shanghai Ruikui, representing 60% of the total equity interest in Rici Shuixian, and (ii) the total equity interest in Shanghai Rici Ruijing Clinic Co., Ltd. (上海瑞慈瑞靜門診部有限公司), 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. As of the date of this announcement, the Group held 1% equity interest in each of Rici Shuixian and Rici Ruijing (whose disposal to the Purchaser will be completed by March 31, 2023 pursuant to the equity transfer agreement), and Rici Shuixian and Rici Ruijing were no longer the subsidiaries of the Company and the financial results of Rici Shuixian and Rici Ruijing were no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the Company's announcement dated August 18, 2022 and the Company's circular dated October 25, 2022.

On August 18, 2022, Rici Healthcare Holdings Limited (the "**Subscriber**") (a directly wholly-owned subsidiary of the Company), Unicorn II Holdings Limited (the "**Target Company**") and New Frontier Public Holding Ltd. entered into a share subscription agreement, pursuant to which the Target Company agreed to issue 1.19% of the enlarged share capital of the Target Company (without taking into account the dilution from the issuance of any new share of the Target Company under its incentive plan) and the Subscriber agreed to subscribe for 1,672,140 ordinary shares at a total consideration of approximately RMB180.0 million. Upon completion, the Subscriber. For details, please refer to the Company's announcements dated August 18, 2022 and October 21, 2022..

Capital Expenditure and Commitments

For 2022, the Group incurred capital expenditures of RMB747.3 million (2021: RMB592.7 million), primarily due to (i) the Nantong Rich Hospital Phase II project; (ii) purchases of medical equipment as well as renovation for our medical examination centers, general hospital and specialty hospitals; and (iii) the lease of business premises for new medical examination centers.

As at December 31, 2022, the Group had a total capital commitment of RMB80.1 million (as at December 31, 2021: RMB101.3 million), mainly comprising Nantong Rich Hospital Phase II project and the leasehold improvement.

Borrowings

As at December 31, 2022, the Group had total bank and other borrowings of RMB935.3 million (as at December 31, 2021: RMB1,248.9 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, 2022 (as at December 31, 2021: Nil).

Financial Instruments

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

Gearing Ratio

As at December 31, 2022, on the basis of net debt divided by total capital, the Group's gearing ratio was 63.6% (as at December 31, 2021: 77.1%). The decrease in gearing ratio was mainly due to the decline in the Group's net financing and the increase in total equity.

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, 2022, borrowings of RMB532,325,000 were with floating interest rate. We did not hedge our cash flow and fair value interest rate risk during the year ended December 31, 2022.

Foreign Exchange Risk

For the year ended December 31, 2022, the Group was not exposed to significant foreign currency risk, except for the remaining 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, amount due from related parties 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 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 RMB3,426.6 million as at December 31, 2022 (as at December 31, 2021: RMB3,985.5 million).

Pledge of Assets

As at December 31, 2022, the Group had assets with a total carrying amount of RMB202,739,000 (as at December 31, 2021: assets of RMB265,682,000) and restricted deposits with an amount of RMB52,000,000 (as at December 31, 2021: restricted deposits of RMB115,500,000 and USD$10,250,000 (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)) ("**Everbright (Haimen)**"). For details, please refer to the announcement of the Company dated September 3, 2018.

On January 16, 2023, Nantong Rich Hospital, Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公司) ("**Nantong Rich Medical**"), Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) (collectively, the "**Parties**") entered into a share repurchase agreement, pursuant to which the Parties agreed that Nantong Rich Medical or its designated third parties shall repurchase all of the equity interests in Nantong Rich Hospital held by Everbright (Haimen) and the total repurchase price shall be paid in two installments. As of the date of this announcement, the share repurchase had completed, and (i) Everbright (Haimen) ceased to be a shareholder of Nantong Rich Hospital, (ii) Nantong Rich Hospital became wholly owned by Nantong Rich Medical and thus an indirectly wholly-owned subsidiary of the Company, and (iii) 22.06% equity interest in Nantong Rich Hospital previously secured in favor of Everbright (Haimen) had been released. Please refer to the section headed "Events Subsequent to the Period" for more information.

USE OF NET 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 year ended December 31, 2022, the net proceeds from the IPO were fully utilized according to the intended use, which was first disclosed in the prospectus of the Company dated September 26, 2016, and was changed and disclosed in the announcements of the Company dated February 18, 2020 and June 15, 2021 subsequently. The net proceeds were fully utilized as at December 31, 2022.

	Net amount available as at December 31, 2021	Actual amount utilized during the Reporting Period	Unutilized amount as at December 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Nantong Rich Hospital Phase II Project	5,859	5,859	—
Total	5,859	5,859	—

HUMAN RESOURCES

The Group had 8,737 employees as at December 31, 2022, as compared to 7,706 employees as at 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 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, 2022.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

EVENTS SUBSEQUENT TO THE PERIOD

On January 16, 2023, Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) entered into a share repurchase agreement, pursuant to which, the parties agreed that Nantong Rich Medical or its designated third party(ies) shall repurchase all of Everbright (Haimen)'s equity interest in Nantong Rich Hospital. For details, please refer to the announcement of the Company dated January 16, 2023.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, June 14, 2023 to Monday, June 19, 2023, 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 Monday, June 19, 2023 (the "**2023 AGM**"). In order to be eligible to attend and vote at the 2023 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 Tuesday, June 13, 2023.

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 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 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, 2022, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Change of Auditors

PricewaterhouseCoopers ("**PwC**") has resigned as the auditor of the Company with effect from December 13, 2022. BDO Limited as the new auditor of the Company was appointed with effect from December 14, 2022 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company.

Scope of Work of BDO Limited

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, 2022 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year.

The work performed by BDO Limited 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 BDO Limited 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, 2022 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, 2023

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.