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, 2023

FINANCIAL SUMMARY

- Revenue from continuing operations for the six months ended June 30, 2023 amounted to RMB1,284.3 million, representing an increase of 59.6% from that of RMB804.5 million for the corresponding period in 2022.

- Gross profit from continuing operations for the six months ended June 30, 2023 amounted to RMB484.0 million, representing an increase of 198.9% from that of RMB162.0 million for the corresponding period in 2022.

- Profit attributable to owners of the Company for the six months ended June 30, 2023 amounted to RMB123.4 million, as compared to loss attributable to owners of the Company of RMB117.9 million for the corresponding period in 2022.

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, 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2022. The Group's unaudited interim condensed consolidated balance sheet, unaudited interim condensed consolidated statement of profit or loss, unaudited interim condensed consolidated statement of other comprehensive income and explanatory notes 1 to 20 as presented below are extracted from the Group's unaudited interim condensed consolidated financial information for the six months ended June 30, 2023.

Interim condensed consolidated balance sheet

As at June 30, 2023

	Notes	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,582,169**	1,444,578
Right-of-use assets	*5*	**1,144,552**	1,219,532
Intangible assets		**5,120**	5,388
Investments accounted for using equity method		**9,562**	9,122
Financial assets at fair value through profit or loss		**1,500**	1,500
Financial assets at fair value through other comprehensive income		**185,420**	181,725
Deposits for long-term leases		**51,298**	51,993
Deferred tax assets	*6*	**119,744**	124,806
Other receivables		**100,000**	110,000
Prepayments	*9*	**59,973**	61,893
		3,259,338	3,210,537
Current assets			
Inventories		**37,539**	38,727
Trade receivables	*7*	**245,414**	278,712
Other receivables		**110,121**	160,280
Prepayments	*9*	**34,767**	40,947
Amounts due from related parties		**571**	1,114
Cash and cash equivalents	*8*	**570,408**	720,141
Restricted cash	*8*	**900**	116,400
		999,720	1,356,321
Total assets		**4,259,058**	4,566,858
EQUITY			
Share capital	*10*	**1,065**	1,065
Reserves		**1,074,567**	952,853
		1,075,632	953,918
Non-controlling interests		**(49,723)**	(49,092)
Total equity		**1,025,909**	904,826

	Notes	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**274,430**	320,159
Lease liabilities	*12*	**1,042,740**	1,097,716
Deferred income		**89,088**	90,296
		1,406,258	1,508,171
Current liabilities			
Borrowings	*11*	**590,119**	615,166
Other financial liabilities		**—**	162,920
Lease liabilities	*12*	**266,129**	265,509
Contract liabilities	*13*	**528,433**	552,090
Trade and other payables	*14*	**398,925**	481,852
Amounts due to related parties		**133**	133
Income tax payables		**42,615**	69,351
Deferred income		**537**	6,840
		1,826,891	2,153,861
Total liabilities		**3,233,149**	3,662,032
Total equity and liabilities		**4,259,058**	4,566,858

Interim condensed consolidated statement of profit or loss

For the six months ended 30 June 2023

	Notes	**Unaudited** **Six months ended 30 June** **2023** ***RMB'000***	Unaudited 2022 *RMB'000* (Represented)
Continuing operations			
Revenue	*15*	**1,284,340**	804,538
Cost of sales	*16*	**(800,307)**	(642,582)
Gross profit		**484,033**	161,956
Distribution costs and selling expenses	*16*	**(163,189)**	(115,630)
Administrative expenses	*16*	**(100,393)**	(97,352)
Net impairment losses on financial assets	*16*	**(2,374)**	(781)
Other income		**12,102**	6,802
Other losses		**(1,643)**	(1,909)
Operating profit/(loss)		**228,536**	(46,914)
Finance costs	*17*	**(61,535)**	(60,453)
Finance income	*17*	**12,496**	12,024
Finance costs — net	*17*	**(49,039)**	(48,429)
Share of results of investments accounted for using equity method		**440**	162
Profit/(loss) before income tax		**179,937**	(95,181)
Income tax (expense)/credit	*18*	**(53,718)**	20,737
Profit/(loss) for the period from continuing operations		**126,219**	(74,444)
Discontinued operations			
Loss for the period from discontinued operations		**—**	(94,109)
Profit/(loss) for the period		**126,219**	(168,553)
Profit/(loss) attributable to:			
Owners of the Company		**123,370**	(117,854)
Non-controlling interests		**2,849**	(50,699)
		126,219	(168,553)

		Unaudited	Unaudited
		Six months ended 30 June	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
			(Represented)
Earnings/(loss) per share for Profit/(loss) attributable to owners of the Company			
From continuing operations and discontinued operations			
— Basic and diluted	*19*	**RMB0.08**	RMB(0.07)
From continuing operations			
— Basic and diluted	*19*	**RMB0.08**	RMB(0.02)
From discontinued operations			
— Basic and diluted	*19*	**N/A**	RMB(0.05)

Interim condensed consolidated statement of other comprehensive income

For the six months ended 30 June 2023

	Unaudited	Unaudited
	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) for the period	**126,219**	(168,553)
Other comprehensive income or loss		
Item will not be subsequently reclassified to profit or loss		
— Change in fair value of financial assets at fair value through other comprehensive income	**3,695**	—
Total comprehensive income/(loss) for the period	**129,914**	(168,553)
Total comprehensive profit/(loss) for the period is attributable to:		
Owners of the Company	**127,065**	(117,854)
Non-controlling interests	**2,849**	(50,699)
	129,914	(168,553)

Notes to the interim condensed consolidated financial information

For the six months ended 30 June 2023

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.

The interim condensed consolidated financial information is presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 "Interim Financial Reporting", and does not include all the notes of the type normally included in the 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 2022, 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 2023, the Group's current liabilities exceeded its current assets by RMB827,171,000. Contract liabilities and deferred income included in current liabilities of the Group as at 30 June 2023 amounting to RMB528,970,000 in aggregate 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 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, as and when 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 2022, 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 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to HKAS 8 – Definition of Accounting Estimates
- Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules
- HKFRS 17 – Insurance Contracts

The new and amended standards 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 reporting periods.

(b) Revised standards and interpretations not yet adopted

Certain amendments of HKFRSs have been published but are not mandatory for the financial year beginning 1 January 2023 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HK 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 HKAS 1	Non-current Liabilities with Covenant (the "**2022 Amendments**")	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")	1 January 2024
Amendments to HKFRS 16	Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 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 transactions.

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, net impairment losses on financial assets, interest income, interest expenses, net exchange gains, other income, other losses, share of result of investments accounted for using equity method 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 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 located in the PRC, and accordingly, no geographical segment analysis has been prepared.

During the year ended 31 December 2022, 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 period segment disclosures have been represented to conform with the current period'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 Maternity and Child Nursing Service Co., Ltd.

(b) Medical examination centers

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

An operating segment regarding to the specialty hospitals services was discontinued during the year ended 31 December 2022. 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 six months ended 30 June 2023 and 2022, and the segment assets and liabilities as at 30 June 2023 and 31 December 2022.

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 consolidated statement of profit or loss.

	General Hospital	Medical Examination Centers	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
For the six months ended 30 June 2023 (unaudited)					
Revenue	**312,416**	**982,535**	**–**	**(10,611)**	**1,284,340**
Segment profit/(loss)	**70,877**	**253,519**	**(3,552)**	**–**	**320,844**
Administrative expenses					**(100,393)**
Net impairment losses on financial assets					**(2,374)**
Interest income					**2,736**
Interest expenses					**(61,535)**
Net exchange gains					**9,760**
Other income					**12,102**
Other losses					**(1,643)**
Share of result of investments accounted for using equity method					**440**
Profit before income tax					**179,937**
Income tax expense					**(53,718)**
Profit for the period from continuing operations					**126,219**

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Subtotal *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 30 June 2023 (unaudited)						
Segment assets	**1,440,479**	**3,479,375**	**4,919,854**	**1,217,062**	**(1,877,858)**	**4,259,058**
Segment liabilities	**779,065**	**2,838,529**	**3,617,594**	**580,885**	**(965,330)**	**3,233,149**
Continuing operations						
For the six months ended 30 June 2023 (unaudited)						
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	**102,287**	**154,060**	**256,347**	**—**	**—**	**256,347**
Depreciation and amortisation	**17,204**	**175,412**	**192,616**	**—**	**—**	**192,616**

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000* (Represented)
Continuing operations					
For the six months ended 30 June 2022 (unaudited)					
Revenue	322,260	488,439	—	(6,161)	804,538
Segment profit/(loss)	72,801	(22,765)	(3,710)	—	46,326
Administrative expenses					(97,352)
Net impairment losses on financial assets					(781)
Interest income					4,218
Interest expenses					(60,453)
Net exchange gains					7,806
Other income					6,802
Other losses					(1,909)
Share of result of investments accounted for using equity method					162
Loss before income tax					(95,181)
Income tax credit					20,737
Loss for the period from continuing operations					(74,444)

	General Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Subtotal *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 31 December 2022 (audited)						
Segment assets	1,603,527	3,728,725	5,332,252	1,218,944	(1,984,338)	4,566,858
Segment liabilities	962,875	3,162,734	4,125,609	699,139	(1,162,716)	3,662,032
Continuing operations						
For the six months ended 30 June 2022 (unaudited)						(Represented)
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	70,836	201,258	272,094	—	—	272,094
Depreciation and amortisation	12,792	150,347	163,139	—	—	163,139

5 Right-of-use assets

	Unaudited As at 30 June 2023 ***RMB'000***	Audited As at 31 December 2022 *RMB'000*
Properties	**1,141,704**	1,201,629
Equipment	**—**	15,005
Land use rights	**2,848**	2,898
	1,144,552	1,219,532

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023 (Audited)				
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**
Six months ended 30 June 2023 (Unaudited)				
Opening net book amount	**1,201,629**	**15,005**	**2,898**	**1,219,532**
Transfer to property and equipment	**—**	**(15,005)**	**—**	**(15,005)**
Additions	**48,671**	**—**	**—**	**48,671**
Depreciation	**(108,596)**	**—**	**(50)**	**(108,646)**
Closing net book amount	**1,141,704**	**—**	**2,848**	**1,144,552**
As at 30 June 2023 (Unaudited)				
Cost	**1,806,197**	**—**	**4,698**	**1,810,895**
Accumulated depreciation	**(664,493)**	**—**	**(1,850)**	**(666,343)**
Net book amount	**1,141,704**	**—**	**2,848**	**1,144,552**

As at 30 June 2023, land with a total carrying amount of RMB2,848,000 (31 December 2022: RMB2,898,000) were pledged for the Group's borrowings.

6 Deferred tax assets

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**50,464**	55,807
Right-of-use assets and lease liabilities	**37,426**	34,710
	87,890	90,517
Others:		
Share option scheme	**26,194**	27,532
Deferred income	**—**	1,401
Loss allowances for financial assets	**2,357**	2,053
Impairment of property and equipment	**3,303**	3,303
	31,854	34,289
Total deferred tax assets	**119,744**	124,806

7 Trade receivables

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Trade receivables	**256,360**	287,752
Less: Loss allowance	**(10,946)**	(9,040)
	245,414	278,712

As at 30 June 2023 and 31 December 2022, 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 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Trade receivables		
— Up to 6 months	**238,353**	275,464
— 6 months to 1 year	**12,521**	4,413
— 1 to 2 years	**2,257**	5,537
— 2 to 3 years	**1,783**	790
— Over 3 years	**1,446**	1,548
	256,360	287,752

8 Cash and bank balances

(a) Cash and cash equivalents

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**369,285**	647,578
— Denominated in USD	**184,189**	55,173
— Denominated in HKD	**16,934**	17,390
	570,408	720,141

(b) Restricted cash

As at 30 June 2023, no fixed deposits (31 December 2022: RMB52,000,000) were pledged at banks for the Group's borrowings (31 December 2022: RMB50,000,000).

As at 30 June 2023, RMB900,000 placed in a bank (31 December 2022: RMB900,000) is a guarantee deposits for gas heating service.

As at 31 December 2022, fixed deposit of RMB63,500,000 was restricted in bank system and released on 6 January 2023.

9 Prepayments

	Unaudited As at 30 June 2023 ***RMB'000***	Audited As at 31 December 2022 *RMB'000*
Non-current:		
Prepayments for property and equipment	**59,973**	61,893
Current:		
Prepayments for consumables	**12,045**	17,308
Others (note)	**22,722**	23,639
	34,767	40,947
Total prepayments	**94,740**	102,840

Note:

Others mainly included prepaid advertising expenses, prepaid rental fee, prepaid property management fee and prepaid recruitment fee.

10 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Share capital** *RMB'000*
As at 30 June 2023 and 31 December 2022	1,590,324,000	1,065

11 Borrowings

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Bank borrowings-secured and/or guaranteed	**839,000**	893,000
Other borrowings-secured and guaranteed	**25,549**	42,325
	864,549	935,325
Less: Non-current portion of non-current borrowings	**(274,430)**	(320,159)
	590,119	615,166

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

12 Lease liabilities

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**266,129**	265,509
After 1 year but within 2 years	**220,973**	225,992
After 2 years but within 5 years	**515,982**	520,374
After 5 years	**305,785**	351,350
	1,308,869	1,363,225

13 Contract liabilities

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Sales of medical examination cards	**479,241**	493,885
Advances from medical examination customers	**41,628**	51,444
Advances from hospital patients	**7,564**	6,761
	528,433	552,090

14 Trade and other payables

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Trade payables due to third parties *(note)*	**137,111**	170,825
Payables for purchase of property and equipment	**130,916**	134,530
Staff salaries and welfare payables	**67,852**	88,549
Deposits payable	**16,829**	18,831
Accrued taxes other than income tax	**3,384**	3,028
Accrued professional service fees	**596**	1,276
Interest payables	**216**	1,145
Accrued advertising expenses	**555**	558
Others	**41,466**	63,110
	398,925	481,852

Note:

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

	Unaudited As at 30 June 2023 *RMB'000*	Audited As at 31 December 2022 *RMB'000*
Trade payables		
— Up to 3 months	**122,443**	150,559
— 3 to 6 months	**3,197**	5,672
— 6 months to 1 year	**1,264**	2,031
— 1 to 2 years	**1,377**	3,600
— 2 to 3 years	**1,039**	532
— Over 3 years	**7,791**	8,431
	137,111	170,825

The trade payables are usually paid within 30–60 days of recognition.

The fair value of all trade and other payables of the Group approximated to their carrying amounts and the carrying amounts of the Group's trade and other payables are denominated in RMB.

15 Revenue

Revenue of the Group consists of the following:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
General hospital		
Outpatient pharmaceutical revenue	**31,410**	32,772
Outpatient service revenue	**43,936**	41,455
Inpatient pharmaceutical revenue	**101,438**	126,845
Inpatient service revenue	**125,021**	115,027
Medical examination centers		
Examination service revenue	**982,274**	487,882
Management service revenue and others	**261**	557
	1,284,340	804,538

16 Expenses by nature

	Unaudited Six months ended 30 June 2023 *RMB'000*	2022 *RMB'000* (Represented)
Continuing operations		
Employee benefits expenses	**496,103**	431,547
Depreciation and amortization	**192,616**	163,139
Pharmaceutical costs	**85,719**	101,995
Outsourcing testing expenses	**69,293**	39,659
Medical consumables costs	**58,092**	45,610
Utility expenses	**42,129**	29,803
Advertising expenses	**27,406**	9,108
Office expenses	**20,919**	10,350
Platform service charges	**19,201**	3,512
Maintenance expenses	**11,839**	4,341
Entertainment expenses	**10,527**	3,123
Professional service charges	**9,168**	2,074
Short-term or low-value operating lease rentals	**2,897**	2,751
Stamp duty and other taxes	**2,618**	1,424
Net impairment losses on receivables	**2,374**	781
Labour union dues	**1,920**	1,695
Travel expenses	**1,901**	1,440
Auditor's remuneration	**570**	472
Revaluation of lease contract	**—**	(2,628)
COVID-19-related rent concessions	**—**	(2,764)
Other expenses	**10,971**	8,913
	1,066,263	856,345

17 Finance costs — net

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
Interest on lease liabilities	**44,457**	37,213
Interest on borrowings	**18,679**	25,157
Interest on other financial liabilities	**1,088**	8,409
	64,224	70,779
Amount capitalised	**(2,689)**	(10,326)
Finance costs	**61,535**	60,453
Interest income	**(2,736)**	(4,218)
Net exchange gains	**(9,760)**	(7,806)
Finance income	**(12,496)**	(12,024)
Finance costs — net	**49,039**	48,429

18 Income tax expense/(credit)

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

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(Represented)
Continuing operations		
Current income tax		
— Current period	**50,534**	17,578
— Over-provision in respect of prior years	**(1,878)**	(2,731)
Deferred income tax	**5,062**	(35,584)
Income tax expense/(credit)	**53,718**	(20,737)

The corporate income tax rate applicable to the Group's subsidiaries located in mainland China is 25%. During the six months ended 30 June 2023 and 2022, the corporate income tax rate applicable to some of the subsidiaries in mainland China is 15%.

19 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022, respectively.

	Unaudited	
	Six months ended 30 June	
	2023	2022 (Represented)
Profit/(loss) attributable to owners of the Company *(RMB'000)*		
— Continuing operations	**123,370**	(45,446)
— Discontinued operations	**—**	(72,408)
Total profit/(loss) from continuing operations and discontinued operations attributable to owners of the Company	**123,370**	(117,854)
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic earnings/(loss) per share *(RMB)*		
— Continuing and discontinued operations	**0.08**	(0.07)
— Continuing operations	**0.08**	(0.02)
— Discontinued operations	**N/A**	(0.05)

(b) Diluted

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

For the six months ended 30 June 2023 and 2022, 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

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

After many challenges were overcome in 2022, China's medical service industry has seen gradually restored order of diagnosis and treatment since the first quarter of 2023, and in-hospital diagnosis and treatment services and consumer medical services have returned to the normal development track, with a solid growth in results. With relatively rigid demand for medical services, the demand for diagnosis and treatment suppressed by the COVID-19 pandemic has been released. Factors such as population aging, consumption upgrading and the expected stabilization of medical insurance policies have driven the steady growth of the medical service market.

As far as the hospital industry is concerned, routine diagnosis and treatment activities in hospitals resumed, and rigid demand and consumer demand in hospitals continuously recovered. Since February 2023, patient visits for diagnosis and treatment in Chinese hospitals have gradually recovered. According to the statistics from the National Health Commission of the PRC, the total number of patient visits in China amounted to 380 million in March 2023, representing a year-on-year increase of 11.5% and a month-on-month rise of 26.1%, of which 320 million and 60 million visits took place in public and private hospitals, respectively, representing a year-on-year increase of 10.5% and 16.8% and a month-on-month rise of 25.8% and 27.4%, respectively. It is expected that in-hospital patient visits will continue to recover in the second half of 2023.

As for the medical examination industry, the demand for medical examination services will keep growing with population aging and rising health awareness among residents. Meanwhile, with the increase in per capita income in China, the medical examination industry will usher in an era of fine development, customer demand will be diversified and customized, and high-end demand is expected to increase. According to Intelligence Research, China's medical examination market size increased from RMB46.8 billion in 2012 to RMB189 billion in 2021, with a compound annual growth rate of 16.78%. The market size is expected to reach RMB390 billion in 2025. According to the China Health Statistics Yearbook (《中國衛生健康統計年鑒》), the penetration rate of the national medical examination industry was 38.86% in 2021, but it is still at a low level compared with developed countries, and there is large room for improvement. The industry competition pattern is expected to enter a virtuous circle that relies on quality improvement to drive up prices. The strengths of private medical examinations have been highlighted in recent years, with rich service content and innovative products that better meet the rising health management needs of the public, and private medical examination institutions saw growing recognition and popularity.

GENERAL HOSPITAL BUSINESS

Nantong Rich Hospital is the only high-level general hospital in the Nantong Economic and Technological Development Area (南通經濟技術開發區). It is currently a Class III Grade B general hospital and also a designated hospital for medical insurance reimbursement and a National Standardized Medical Residency Training Coordination Base (國家住院醫師規範化培訓協同基地).

In April 2023, the Integrated Ward Building Phase II of Nantong Rich Hospital was officially put into use. The building has 12 floors, with 18 wards. When all of the wards come into use, the number of beds in the hospital will total 1,500, which will greatly enhance the hospital's ability to provide medical services. During the Reporting Period, Nantong Rich Hospital continuously pushed forward with the work of medical consortiums and carried out cooperation in experts' community visits, two-way referrals, staff's technical training and so forth, so as to achieve resource sharing and mutual benefit, allow people at the grassroots to enjoy assured medical treatment, and enhance the brand influence of Rici's medical services. Nantong Rich Hospital and Zhongshan Hospital Affiliated to Fudan University (復旦大學附屬中山醫院) carried out in-depth cooperation to establish an oncology center, as an effort to promote the "Zhongshan model" of tumor prevention and treatment to Nantong. During the Reporting Period, Nantong Rich Hospital and Medical College of Yangzhou University (揚州大學醫學院) entered in-depth cooperation to select outstanding students for joint training to foster top-class medical talents with international vision, innovation and leadership, in a bid to achieve the coordinated development of medical treatment, teaching and scientific research. The hospital has one Construction Project for National Key Clinical Specialty (pediatric surgery), six Municipal Key Clinical Specialties (including pediatrics, cardiothoracic surgery, cardiovascular medicine, general surgery, neurology and anesthesiology), and one Municipal Key Discipline under Construction (pediatric internal medicine). During the Reporting Period, Nantong Rich Hospital won two third prizes of Nantong New Technology Introduction Award (南通市新技術引進獎) and two provincial-level continuing education projects.

During the Reporting Period, Nantong Rich Hospital provided services for 174,756 outpatient visits (corresponding period in 2022: 163,948, excluding outpatient visits for nucleic acid testing) and 14,977 inpatient visits (corresponding period in 2022: 12,189), representing a year-on-year increase of 6.6% and 22.9%, respectively.

Located in Nantong Rich Hospital, Nantong Rich Meidi Elderly Care Centre Co., Ltd. (南通瑞慈美邸護理院有限公司) ("**Nantong Meidi**") is a subsidiary of joint venture formed by Rici Hospital and Medical Care Service Company Inc., which is a senior care institution combined with medical and wellness services integrating professional senior care, nursing care, and rehabilitation and physical therapy. As at June 30, 2023, Nantong Meidi served 106 elderly people (as at June 30, 2022: 102) with an occupancy rate of 100% (as at June 30, 2022: 96.2%).

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 continuously adhered 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" complementing each other to satisfy Chinese consumers' demand for more segmented and personalized medical examination services. In view of "Rici Medical Examination", the Group implemented the strategy of development of key markets, and insisted on focusing on two major markets, Shanghai and Jiangsu, and marching into Beijing, the Greater Bay Area and other first-tier cities, new first-tier cities and second-tier cities. As at June 30, 2023, the Group had 76 medical examination centers in China, among which 66 centers were in operation, covering 29 cities.

During the Reporting Period, a series of activities such as "Being courteous" and "Making quick responses" were launched in order to further enhance customer satisfaction and improve customer satisfaction for medical examination services. Through intelligent transformation, the customer service system and customer satisfaction evaluation system were connected, enabling real-time monitoring and real-time response to customer evaluations. In the meantime, activities themed on grooming, civilized words, privacy protection and so forth were held in the forms of unified training, customer evaluation, unannounced visits by institutions, among others. In respect of medical quality control, the Group conducted in-depth supervision of remote systems, strengthened medical guidance services, and carried out stringent quality control and specialized enhancement. The Group deeply engaged in the construction of key disciplines such as ultrasound, imaging, examination and chief medical examination, and strengthened the management of important abnormalities, aiming to achieve the full coverage of the three-tier quality control system.

The medical examination segment has seen a restorative growth in results since the beginning of 2023 due to the optimization of pandemic prevention and control policies, the delayed needs for some medical examinations at the end of 2022, the increased post-pandemic health awareness, among others. During the Reporting Period, the total number of customer visits under the medical examination business was 1,844,454 (corresponding period in 2022: 975,109), representing a year-on-year increase of 89.2%. Corporate customers were the main targets of the Group's medical examination services, accounting for approximately 69.1%. During the Reporting Period, the numbers of corporate and individual customers were 1,273,942 and 570,512, respectively (2022: 637,477 and 337,632, respectively), representing a year-on-year increase of 99.8% and a year-on-year increase 69.0%, respectively. The average spending per capita was RMB532.6 (2022: RMB500.5), representing a year-on-year increase of 6.4%.

PROSPECTS

As an important supplement to the public healthcare system, private healthcare system meets the growing medical needs of the people. Private hospitals, which give full play to the high efficiency of social capital, are more competitive in treatment environment, service level and treatment speed, and provide differentiated medical services to the public. The new healthcare reform clearly supports the innovation and development of medical technology and emphasizes the technical value of medical services. With the full rollout of healthcare reform, private hospitals with excellent operation and management capabilities will stand out. 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, the hospital will promote the synergistic transformation of hospital businesses and medical examination business within the Group, establish an outpatient department for the interpretation of institutions' medical examination reports, and render extended services such as science popularization lectures by experts. It will strengthen the construction of disciplines and focus on the development of key specialties such as cardiology, orthopedics and radiotherapy. It will cooperate with specialty teams, such as hospitals affiliated to Fudan University, to jointly carry out the department construction from technology, scientific research, teaching, among others. Joint efforts will be made to bring in leaders of specialties in Class III Grade A hospitals, and young and middle-aged backbone talents with master's and doctoral degrees, so as to build up a team of technical backbones in various specialties. It will give full play to the leading role of a regional medical consortium and actively organize activities such as patient transfer, exchange among physicians, and academic lectures within the medical consortium, so as to revitalize the sharing of resources within the medical consortium.

In 2023, the impact of COVID-19 will gradually dissipate, offline institutions will resume the normal order of diagnosis and treatment, and the medical examination industry will enter the fast lane of development. Although medical examination industry was in the traditional off-season in the first half of a year, the Group in the first half of 2023 saw a year-on-year growth of 101.2% in the revenue of the medical examination segment. The medical examination industry is expected to achieve further growth in the second half of 2023 on the basis of a strong recovery in the first half of this year. In the future, the Group's medical examination business 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" complementing each other to meet consumers' diversified needs for health management. The Group, with the development goal of "focusing on the principal business, seeking for high-quality development", stresses the quality of medical services, details management processes and improves operational efficiency. It will grasp market opportunities, deliver services in practices, and enhance the brand awareness. Efforts will be stepped up on the selection and training of talents to ensure sustainable development.

FINANCIAL REVIEW

Revenue

The Group's 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:

	Six months ended June 30,		
	2023	2022	Percentage change
	RMB'000	*RMB'000*	
		(Represented)	
Continuing operations			
General Hospital Business	**312,416**	322,260	(3.1%)
Medical Examination Business	**982,535**	488,439	101.2%
Inter-segment	**(10,611)**	(6,161)	72.2%
Total	**1,284,340**	804,538	59.6%

The Group's revenue from continuing operations for the Reporting Period amounted to RMB1,284.3 million, representing an increase of 59.6% as compared with that of RMB804.5 million for the same period in 2022, mainly due to the fact that during the Reporting Period, following the adjustment of the prevention and control policies on COVID-19 epidemic at the end of 2022, the operations of the Company's medical examination centers resumed normal, and the Company's medical examination business achieved a strong recovery during the first half year of 2023.

Revenue from the general hospital business for the Reporting Period amounted to RMB301.8 million, representing a decrease of 4.5% from that of RMB316.1 million for the corresponding period in 2022, excluding inter-segment revenue of RMB10.6 million and RMB6.2 million for the six months ended June 30, 2023 and 2022, respectively. The decrease in revenue from the general hospital business was mainly attributable to the decrease in pharmaceutical revenue.

Revenue from the medical examination business for the Reporting Period amounted to RMB982.5 million, representing a surge of 101.2% from that of RMB488.4 million for the corresponding period in 2022. This was mainly attributable to the increase of 89.2% in the number of customer visits in medical examinations and the increase of 6.4% in average per capita spending.

Cost of Sales

The Group's cost of sales from 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:

	Six months ended June 30,		
	2023	2022	Percentage change
	RMB'000	*RMB'000*	
		(Represented)	
Continuing operations			
General Hospital Business	**241,921**	250,771	(3.5%)
Medical Examination Business	**568,997**	397,972	43.0%
Inter-segment	**(10,611)**	(6,161)	72.2%
Total	**800,307**	642,582	24.5%

The Group's cost of sales from continuing operations for the Reporting Period amounted to RMB800.3 million, representing an increase of 24.5% over that of RMB642.6 million for the same period in 2022.

Cost of sales from the general hospital business for the Reporting Period amounted to RMB241.9 million, representing a decrease of 3.5% over that of RMB250.8 million for the same period in 2022. The decrease in cost of sales was mainly due to lower revenue from the general hospital business during the Reporting Period.

Cost of sales from the medical examination business for the Reporting Period amounted to RMB569.0 million, representing an increase of 43.0% over that of RMB398.0 million for the same period in 2022, which was mainly attributable to the strong recovery of the medical examination business in the first half of 2023, which resulted in a higher increase in variable costs related to the volume of the business, and an increase in the number of stores in operation, which further increased various costs, leading to the overall increase in costs.

Gross Profit

The Group's gross profit surged from RMB162.0 million for the six months ended June 30, 2022 to RMB484.0 million for the Reporting Period. Gross profit margin increased by 17.6 percentage points from 20.1% for the six months ended June 30, 2022 to 37.7% for the Reporting Period.

Distribution Costs and Selling Expenses

The Group's cost of sales and selling expenses from continuing operations for the Reporting Period amounted to RMB163.2 million, compared to that of RMB115.6 million for the same period in 2022. The increase was mainly due to the higher remuneration expenses of the sales staff as a result of the better business performance of the Company in the first half of 2023.

Administrative Expenses

The Group's administrative expenses from continuing operations for the Reporting Period amounted to RMB100.4 million, representing a slight increase as compared to that of RMB97.4 million for the same period in 2022, mainly due to the increase in the remuneration expenses of the executives as a result of the better business performance of the Company in the first half of 2023.

Other Income

The Group's other income from continuing operations, which mainly comprised government subsidies, amounted to RMB12.1 million during the Reporting Period (corresponding period in 2022: RMB6.8 million).

Other Losses

The Group's other losses from continuing operations amounted to RMB1.6 million for the Reporting Period, as compared to that of RMB1.9 million for the same period in 2022. Other losses mainly represented losses on disposal of equipment and other miscellaneous losses.

Finance Costs — Net

The Group's net finance costs from continuing operations amounted to RMB49.0 million during the Reporting Period, as compared to that of RMB48.4 million for the same period in 2022.

Share of Results of Investments Accounted for Using Equity Method

For the Reporting Period, the Group recognised a share of profit of RMB0.4 million from investments accounted for using equity method (corresponding period in 2022: RMB0.2 million) in its consolidated results, mainly due to the operating profit of RMB0.4 million generated by Nantong Meidi, a subsidiary of a joint venture of the Group.

Income Tax Expense/(Credit)

For the Reporting Period, income tax expense from continuing operations amounted to RMB53.7 million (corresponding period in 2022: income tax credit of RMB20.7 million). The increase in income tax expense was mainly due to the growth in current income during the Reporting Period.

Profit/(Loss) for the Period

As a result of the above, the Group reported a net profit of RMB126.2 million for the Reporting Period (the corresponding period in 2022: a net loss of RMB168.6 million), which was mainly attributable to the significant growth in revenue from the medical examination business.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
		(Represented)
Calculation of adjusted EBITDA from continuing operations		
Profit/(loss) for the period	**126,219**	(74,444)
Adjustments to the following items:		
Income tax expense/(credit)	**53,718**	(20,737)
Finance costs — net	**49,039**	48,429
Depreciation and amortization	**192,616**	163,139
Pre-opening expenses and EBITDA loss of soft-opening[1]	**14,901**	7,909
Share options (clawback)/expenditure	**(5,351)**	5,568
Adjusted EBITDA	**431,142**	129,864
Adjusted EBITDA margin[2]	**33.6%**	16.1%

Note:

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

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

Adjusted EBITDA from continuing operations for the Reporting Period amounted to RMB431.1 million, representing an increase of 232.0% as compared to that of RMB129.9 million for the corresponding period in 2022, which was mainly attributable to the strong recovery of the medical examination business during the Reporting Period, resulting in a substantial increase in profit.

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, 2023, the property and equipment of the Group amounted to RMB1,582.2 million, representing an increase of RMB137.6 million as compared to that of RMB1,444.6 million as at December 31, 2022.

Trade Receivables

As at June 30, 2023, the trade receivables of the Group amounted to RMB245.4 million, representing a decrease of RMB33.3 million as compared to RMB278.7 million as at December 31, 2022.

Net Current Liabilities

As at June 30, 2023, the Group's current liabilities exceeded its current assets by RMB827.2 million (as at December 31, 2022: RMB797.5 million). The increase of the Group's net current liabilities were mainly due to a decline in monetary funds as at the end of the Reporting Period. The funds were used in the second phase expansion project of Nantong Rich Hospital and purchase of medical equipment.

Liquidity and Capital Resources

As at June 30, 2023, the Group had cash and cash equivalents of RMB570.4 million (as at December 31, 2022: RMB720.1 million), with available unused bank facilities of RMB175.0 million (as at December 31, 2022: RMB170.0 million). As at June 30, 2023, the Group had outstanding borrowings of RMB864.5 million (as at December 31, 2022: RMB935.3 million), with non-current portion of long-term borrowings of RMB274.4 million (as at December 31, 2022: RMB320.2 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 January 2023, Everbright (Haimen) has exercised the repurchase option and entered the share repurchase agreement with the Group to transfer 4.41% equity interest of Nantong Rich Hospital to the Group. The first payment of RMB100,000,000 was made by the Group on January 17, 2023 and the remaining payment of RMB64,008,000 was made on January 31, 2023. For details, please refer to the announcement dated January 16, 2023.

Save as disclosed herein, the Group did not have any significant investment, material acquisition or disposal during the Reporting Period.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB256.3 million (corresponding period in 2022: RMB273.7 million), primarily due to (i) the second phase expansion project of Nantong Rich Hospital; (ii) purchases of medical equipment as well as renovation for our medical examination centers; and (iii) the lease of business premises for new medical examination centers.

As at June 30, 2023, the Group had a total capital commitment of RMB28.0 million (as at December 31, 2022: RMB80.1 million), mainly comprising the leasehold improvement.

Borrowings

As at June 30, 2023, the Group had total bank and other borrowings of RMB864.5 million (as at December 31, 2022: RMB935.3 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, 2023 (as at December 31, 2022: Nil).

Financial Instruments

The Group did not have any financial instruments as at June 30, 2023 (as at December 31, 2022: Nil).

Gearing Ratio

As at June 30, 2023, on the basis of net debt divided by total capital, the Group's gearing ratio was 61.0% (as at December 31, 2022: 63.6%). 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 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, 2023, borrowings of RMB401,549,000 were with floating interest rates (as at December 31, 2022: RMB532,325,000). 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 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 RMB2,988.9 million as at June 30, 2023 (as at December 31, 2022: RMB3,426.6 million).

Pledge of Assets

As at June 30, 2023, the Group had assets with a total carrying amount of RMB182,374,000 (as at December 31, 2022: assets of RMB202,739,000 and restricted deposits of RMB52,000,000) pledged for the Group's borrowings.

HUMAN RESOURCES

The Group had a total of 8,976 employees as of June 30, 2023 (December 31, 2022: 8,737). 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.

INTERIM DIVIDEND

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

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 Yixin ("**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 Hong, 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 noncompliance 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, BDO Limited, 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, 2023

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.