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, 2023

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations for the year ended December 31, 2023 was RMB2,992.7 million, representing an increase of 26.0% from revenue of RMB2,375.0 million from continuing operations for the year ended December 31, 2022.
- Gross profit from continuing operations for the year ended December 31, 2023 was RMB1,249.5 million, representing an increase of 34.8% from gross profit of RMB927.2 million from continuing operations for the year ended December 31, 2022.
- Profit attributable to owners of the Company for the year ended December 31, 2023 amounted to RMB363.8 million representing an increase of 25.1% from profit attributable to owners of the Company of RMB290.8 million for the year ended December 31, 2022.
- Adjusted EBITDA from continuing operations for the year ended December 31, 2023 was RMB1,072.4 million, representing an increase of 30.9% from adjusted EBITDA of RMB819.1 million from continuing operations for the year ended December 31, 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**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**") with the comparative figures for the year ended December 31, 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

	Notes	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Continuing operations			
Revenue	15	**2,992,689**	2,375,027
Cost of sales	16	**(1,743,180)**	(1,447,825)
Gross profit		**1,249,509**	927,202
Distribution costs and selling expenses	16	**(380,584)**	(286,843)
Administrative expenses	16	**(223,845)**	(222,413)
(Impairment loss)/reversal of impairment loss on financial assets	16	**(9,042)**	3,448
Other income		**26,629**	22,038
Other losses		**(5,747)**	(11,754)
Operating profit		**656,920**	431,678
Finance costs	17	**(122,619)**	(111,327)
Finance income	17	**10,373**	6,420
Finance costs — net	17	**(112,246)**	(104,907)
Share of results of investments accounted for using equity method		**958**	419
Profit before income tax		**545,632**	327,190
Income tax expense	18	**(143,657)**	(84,041)
Profit for the year from continuing operations		**401,975**	243,149

	Notes	Year ended 31 December **2023** *RMB'000*	2022 *RMB'000*
Discontinued operations			
Profit for the year from discontinued operations		**—**	24,038
Profit for the year		**401,975**	267,187
Profit/(loss) for the year attributable to:			
Owners of the Company		**363,803**	290,793
Non-controlling interests		**38,172**	(23,606)
		401,975	267,187
Earnings per share for profit attributable to owners of the Company			
From continuing operations and discontinued operations			
— Basic and diluted	19	**RMB0.23**	RMB0.18
From continuing operations			
— Basic and diluted	19	**RMB0.23**	RMB0.15
From discontinued operations			
— Basic and diluted	19	**N/A**	RMB0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**401,975**	267,187
Other comprehensive income		
Item that will not be subsequently reclassified to profit or loss		
— Change in fair value of financial assets at fair value through other comprehensive income	**375**	1,725
Total comprehensive income for the year	**402,350**	268,912
Total comprehensive income for the year attributable to:		
Owners of the Company	**364,178**	292,518
Non-controlling interests	**38,172**	(23,606)
	402,350	268,912

CONSOLIDATED BALANCE SHEET

As at December 31, 2023

	Notes	**As at 31 December** **2023** *RMB'000*	2022 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,496,201**	1,444,578
Right-of-use assets	4	**1,245,255**	1,219,532
Intangible assets		**17,858**	5,388
Investments accounted for using equity method		**10,080**	9,122
Financial assets at fair value through profit or loss		**1,500**	1,500
Financial assets at fair value through other comprehensive income		**182,100**	181,725
Deposits for long-term leases		**56,475**	51,993
Deferred tax assets	5	**109,911**	124,806
Other receivables	7	**50,000**	110,000
Prepayments	9	**29,775**	61,893
		3,199,155	3,210,537
Current assets			
Inventories		**37,396**	38,727
Trade receivables	6	**299,469**	278,712
Other receivables	7	**264,779**	160,280
Prepayments	9	**22,293**	40,947
Amounts due from related parties		**2,553**	1,114
Restricted cash	8	**900**	116,400
Cash and cash equivalents	8	**811,210**	720,141
		1,438,600	1,356,321
Total assets		**4,637,755**	4,566,858

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	**1,065**	1,065
Reserves		**1,125,880**	952,853
		1,126,945	953,918
Non-controlling interests		**(12,900)**	(49,092)
Total equity		**1,114,045**	904,826
LIABILITIES			
Non-current liabilities			
Borrowings	11	**219,140**	320,159
Lease liabilities	12	**1,135,647**	1,097,716
Deferred income		**3,695**	90,296
		1,358,482	1,508,171
Current liabilities			
Borrowings	11	**647,466**	615,166
Other financial liabilities		**—**	162,920
Lease liabilities	12	**264,298**	265,509
Contract liabilities	13	**601,400**	552,090
Trade and other payables	14	**541,229**	481,852
Amounts due to related parties		**132**	133
Income tax payables		**108,745**	69,351
Deferred income		**1,958**	6,840
		2,165,228	2,153,861
Total liabilities		**3,523,710**	3,662,032
Total equity and liabilities		**4,637,755**	4,566,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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.

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

2 MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 consolidated financial statements in compliance with adopted HKFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

(b) Going concern

As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB726,628,000. Contract liabilities and deferred income included in current liabilities of the Group as at 31 December 2023 totaling RMB603,358,000 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 provided by banks in PRC. Based on the Group's past experience and good credit standing, the directors are confident on the Group's 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 consolidated financial statements.

(c) Adoption of Amendments to HKFRSs — effective 1 January 2023

In the current year, the Group has applied for the first time the following revised standards and amendments (the "**revised HKFRSs**") issued by HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

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

None of these amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(d) ***Revised HKFRSs that have been issued but are not yet effective***

The following revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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 HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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 to HKFRSs 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, net impairment losses on financial assets, interest income, interest expenses, net exchange gains, other income, other losses, share of result of investment 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 consolidated 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.

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 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 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 years ended 31 December 2023 and 2022, and the segment assets and liabilities at the respective reporting 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 consolidated 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 2023					
Revenue	627,659	2,386,006	—	(20,976)	2,992,689
Segment profit/(loss)	116,313	757,315	(4,703)	—	868,925
Administrative expenses					(223,845)
Net impairment losses on financial assets					(9,042)
Interest income					10,373
Interest expenses					(127,118)
Net exchange gains					4,499
Other income					26,629
Other losses					(5,747)
Share of result of investments accounted for using equity method					958
Profit before income tax					545,632
Income tax expense					(143,657)
Profit for the year from continuing operations					401,975

	General hospital *RMB'000*	Medical examination centres *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 31 December 2023					
Segment assets	1,358,756	3,983,125	994,407	(1,698,533)	4,637,755
Segment liabilities	699,339	3,059,105	476,253	(710,987)	3,523,710
Other segment information					
Addition to property and equipment, right-of-use assets and intangible assets	162,874	394,680	480	—	558,034
Depreciation and amortisation	40,047	356,758	33	—	396,838

	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 result 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

	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 2022							
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
Other segment information							
Addition to property and equipment, right-of-use assets and intangible assets	142,761	600,831	743,592	2,696	997	—	747,285
Depreciation and amortisation	27,341	313,329	340,670	41,249	133	—	382,052

4 RIGHT-OF-USE ASSETS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Properties	**1,232,859**	1,201,629
Equipment	**9,598**	15,005
Land use rights	**2,798**	2,898
	1,245,255	1,219,532

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022				
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)
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

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 and 1 January 2023				
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
Year ended 31 December 2023				
Opening net book amount	1,201,629	15,005	2,898	1,219,532
Additions	218,818	—	—	218,818
Modification	30,969	—	—	30,969
Termination	(1,973)	—	—	(1,973)
Depreciation	(216,584)	(5,407)	(100)	(222,091)
Closing net book amount	1,232,859	9,598	2,798	1,245,255
At 31 December 2023				
Cost	1,931,042	32,445	4,698	1,968,185
Accumulated depreciation	(698,183)	(22,847)	(1,900)	(722,930)
Net book amount	1,232,859	9,598	2,798	1,245,255

Note: As at 31 December 2023, land use rights with a total carrying amount of RMB2,798,000 (2022: RMB2,898,000) were pledged for the Group's borrowings.

5 DEFERRED TAX ASSETS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**41,324**	55,807
Right-of-use assets and lease liabilities	**37,476**	34,710
	78,800	90,517
Share option scheme	**24,279**	27,532
Loss allowances for financial assets	**3,529**	2,053
Deferred income	**—**	1,401
Impairment of property and equipment	**3,303**	3,303
	31,111	34,289
Total deferred tax assets	**109,911**	124,806

6 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**315,006**	287,752
Less: Loss allowance	**(15,537)**	(9,040)
	299,469	278,712

As at 31 December 2023 and 2022, the fair value of trade receivables of the Group approximated to their carrying amounts.

The aging analysis of trade receivables (before loss allowance) based on the date the relevant services were rendered are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
— Up to 6 months	**295,752**	275,464
— 6 months to 1 year	**10,118**	4,413
— 1 to 2 years	**1,913**	5,537
— 2 to 3 years	**5,359**	790
— Over 3 years	**1,864**	1,548
	315,006	287,752

7 OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loans to non-controlling interests of subsidiaries *(note (a))*	**59,000**	59,000
Deposits	**11,899**	14,497
Advances to staff	**5,845**	11,460
Interest receivables	**6,490**	3,257
Others *(note (b))*	**233,303**	183,818
	316,537	272,032
Less: Loss allowance	**(1,758)**	(1,752)
	314,779	270,280
Current portion	**264,779**	160,280
Non-current portion	**50,000**	110,000
	314,779	270,280

Notes:

a. Balance represents loans to the non-controlling interests of subsidiaries, which are unsecured and bore the interest rate at 1-year loan prime rate plus 1 basis point. They were recoverable within twelve months from the reporting date as at 31 December 2023.

b. Consideration receivable of RMB100,000,000 (2022: RMB150,000,000) from the disposal of Shanghai Shuixian Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. ("**Rici Shuixian**") during the year ended 31 December 2022 is included in Others. The consideration receivable is unsecured and non-interest bearing. RMB50,000,000 has been received during the year ended 31 December 2023. As at 31 December 2023, according to the settlement scheme, RMB50,000,000 will be settled in September 2024; and RMB50,000,000 will be settled in September 2025. The consideration receivable of RMB50,000,000 (2022: RMB100,000,000) is not recoverable within twelve months from the reporting date as at 31 December 2023.

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

As at 31 December 2023 and 2022, 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	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**769,217**	647,578
— Denominated in USD	**23,340**	55,173
— Denominated in HKD	**18,653**	17,390
	811,210	720,141

(b) Restricted cash

As at 31 December 2022, fixed deposits of RMB52,000,000 were pledged at banks for the Group's borrowings of RMB50,000,000.

Fixed deposit of RMB63,500,000 was restricted in bank system as at 31 December 2022 and released on 6 January 2023. The amount of RMB900,000 is a guarantee deposits for gas heating service as at 31 December 2023 and 2022.

9 PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current:		
Prepayment for purchases of property and equipment	**29,775**	61,893
Current:		
Prepayment for consumables	**8,591**	17,308
Others *(note)*	**13,702**	23,639
	22,293	40,947
Total prepayments	**52,068**	102,840

Note:

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

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Par Value	Share capital
		RMB	*RMB'000*
As at 31 December 2023 and 2022	1,590,324,000	0.00067	1,065

11 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings — secured and/or guaranteed	**850,000**	893,000
Other borrowings — secured and guaranteed	**16,606**	42,325
	866,606	935,325
Less: Non-current portion	**(219,140)**	(320,159)
Total current borrowings	**647,466**	615,166

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

12 LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**264,298**	265,509
After 1 year but within 2 years	**221,760**	225,992
After 2 year but within 5 years	**539,962**	520,374
After 5 years	**373,925**	351,350
	1,399,945	1,363,225
Current	**264,298**	265,509
Non-current	**1,135,647**	1,097,716
	1,399,945	1,363,225

13 CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Sales of medical examination cards	**537,306**	493,885
Advances from medical examination customers	**57,031**	51,444
Advances from hospital patients	**7,063**	6,761
	601,400	552,090

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables due to third parties *(note)*	**164,351**	170,825
Staff salaries and welfare payables	**139,851**	88,549
Payables for purchase of property and equipment	**131,661**	134,530
Deposits payable	**17,436**	18,831
Accrued taxes other than income tax	**5,531**	3,028
Accrued professional service fees	**1,310**	1,276
Interest payables	**908**	1,145
Accrued advertising expenses	**548**	558
Others	**79,633**	63,110
	541,229	481,852

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
— Up to 3 months	**130,674**	150,559
— 3 to 6 months	**11,642**	5,672
— 6 months to 1 year	**8,709**	2,031
— 1 to 2 years	**1,804**	3,600
— 2 to 3 years	**3,381**	532
— Over 3 years	**8,141**	8,431
	164,351	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:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
General hospital		
Outpatient pharmaceutical revenue	**63,417**	68,647
Outpatient service revenue	**84,198**	88,122
Inpatient pharmaceutical revenue	**202,961**	222,599
Inpatient service revenue	**256,107**	230,269
Medical examination centres		
Examination service revenue	**2,384,239**	1,763,194
Management service revenue and others	**1,767**	2,196
	2,992,689	2,375,027

16 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Employee benefit expenses	**1,098,021**	901,209
Depreciation and amortisation	**396,838**	340,803
Outsourced testing expenses	**202,512**	156,558
Medical consumables costs	**184,636**	141,222
Pharmaceutical costs	**166,165**	211,918
Advertising expenses	**114,932**	68,605
Office expenses	**49,466**	35,682
Utility expenses	**46,534**	42,383
Maintenance expenses	**27,702**	17,432
Professional service charges	**25,423**	20,677
Entertainment expenses	**20,556**	12,595
Other expenses	**10,441**	13,701
Laundry expenses	**9,442**	4,145
Impairment losses/(reversal of impairment loss) on financial assets	**9,042**	(3,448)
Travel expenses	**8,041**	8,467
Stamp duty and other taxes	**7,598**	3,276
Short-term or low-value operating lease rentals	**5,350**	4,955
Auditor's remuneration		
— Audit services	**1,150**	1,350
— Non-audit services	**570**	570
Labour union dues	**1,105**	3,717
Security costs	**123**	21
COVID-19-related rent concessions	**—**	(28,862)
Gain on lease modification	**(28,996)**	(3,343)
	2,356,651	1,953,633

17 FINANCE COSTS — NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Interest on lease liabilities	**(90,933)**	(73,880)
Interest on borrowings	**(37,786)**	(52,581)
Interest on other financial liabilities	**(1,088)**	(17,456)
	(129,807)	(143,917)
Amount capitalised	**2,689**	20,865
	(127,118)	(123,052)
Net exchange gains	**4,499**	11,725
Finance costs	**(122,619)**	(111,327)
Interest income	**10,373**	6,420
Finance income	**10,373**	6,420
Finance costs — net	**(112,246)**	(104,907)

18 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Current income tax		
— Current year	**129,929**	85,366
— Adjustments for current tax of prior years	**(1,167)**	(1,259)
Deferred income tax	**14,895**	(66)
Income tax expense	**143,657**	84,041

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 2023 and 2022, the CIT rate applicable to some of the subsidiaries in mainland China is 15%.

19 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing:

- the earnings 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.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB'000)		
— Continuing operations	**363,803**	233,124
— Discontinued operations	**—**	57,669
Total profit from continuing operations and discontinued operations attributable to owners of the Company	**363,803**	290,793
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic earnings per share (RMB)		
— Continuing and discontinued operations	**0.23**	0.18
— Continuing operations	**0.23**	0.15
— Discontinued operations	**N/A**	0.03

(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 years ended 31 December 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 Company had declared a special dividend of HK$0.13 per ordinary share amounted to HK$206,742,000 (equivalent to RMB187,904,000) on 23 November 2023. The Board has resolved not to propose any final dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

The year 2023 marked a turning point for the healthcare service sector to achieve high quality development. With the full adjustment of the prevention and control measures of the COVID-19 pandemic, the order of medical treatment was fully restored and the efficiency of service was significantly improved. As a result, national medical services volume saw an overall growth. According to the data released by the National Health Commission, from January to September 2023, the total number of patient visits to medical institutions in China reached 5.11 billion, representing a year-on-year increase of 6%, and an increase of 12% from the same period in 2019. In 2023, policies for the healthcare industry were frequently formulated, with more than 200 national policies related to medicine, which put forward higher requirements for the healthcare service industry. During the year, with the comprehensive promotion of anti-corruption in the healthcare industry, the industry had taken measures to fundamentally prevent corruption, fostering healthy competition among medical institutions and further easing patients' medical burden. In September 2023, the National Health Commission and other departments published the National Technical Specifications for Healthcare Service Programs (2023 Edition) (《全國醫療服務項目技術規範(2023年版)》), which standardized industry standards, promoted the refined management of healthcare organizations, and demonstrated the technical value of healthcare professionals. The deepening of the healthcare reform facilitated the investment of the quality medical resources in grassroot medical institutions, the improvement of the quality of medical services, and the medicine fee control through the national medical insurance. The healthcare industry is facing new challenges and opportunities, and thus, healthcare organizations that can continue to innovate and refine their management will have great potential.

For the hospital sector, there has been a significant recovery in patient visits along with the cessation of the three-year COVID-19 pandemic. According to data released by the National Health Commission, from January to August 2023, the number of patient visits to public hospitals in aggregate was 2.296 billion, representing an increase of 10% over the same period in 2019; and the number of patient visits to private hospitals in aggregate was 453 million, representing an increase of 22% over the same period in 2019. Compared with public hospitals, private hospitals are more resilient in recovery. The aging population issue in China has become more serious in recent years, with the proportion of elderly people aged 65 accounting for 15.4% of the national population in 2023, an increase of 0.5 percentage point from 2022. The incidence rates of cardiovascular, endocrine and tumor diseases among the elderly are significantly higher than those among the young, further driving the demand for healthcare services in the future.

Health medical examination is the first gateway to disease prevention and a crucial point in integrating disease prevention and treatment. Consequently, the health medical examination industry is booming under the support of national policies. The Plan for National Health During the 14th Five-Year Plan Period (《「十四五」國民健康規劃》) further emphasizes disease prevention, highlighting early diagnosis and treatment of major diseases and chronic illnesses, as well as major health risk factors and the health of key populations. The 2023 Work Focus of the Healthy China Action (《健康中國行動2023年工作要點》) issued by the National Health Commission calls for all-round, full-cycle protection of people's health, strengthening the health management of patients with chronic diseases, insisting on pre-control and pre-monitoring of diseases, and promoting the synergy between medical treatment and disease prevention. The accelerated aging population, combined with the early detection and diagnosis of diseases by medical examination, is driving the rapidly increasing demand for specialized medical examination for chronic basic diseases and medium-and high-end health management, which facilitates the growth of the industry. As private medical examination organizations have more flexible operations and significant branding effect, they can better serve the diversified and personalized health needs of residents, and therefore, their market share is expected to further increase in the future.

General Hospital Business

Nantong Rich Hospital, as the first private Class III Grade B general hospital in Jiangsu province, is one of the three higher-level large-scale integrated medical institutions in Nantong. In 2023, Nantong Rich Hospital had achieved fruitful results with steady progress by seeking innovations and changes. In April 2023, Nantong Rich Hospital's new integrated ward building was officially opened, further enhancing the scale and image of the hospital's services. In September 2023, Nantong Rich Hospital established the Shanghai Medical Service Center, a one-stop connection with more than 150 famous doctors from 20 hospitals in Shanghai, providing online and offline services for the entire pre-consultation, during-consultation, and post-consultation process, so as to enable patients to enjoy convenient and efficient medical services.

During the Reporting Period, Nantong Rich Hospital accelerated its discipline development, with each department focusing on enhancing medical skills to establish Rici Key Disciplines brand. Cardiovascular surgery, orthopedics, general surgery, thoracic surgery, and other discipline teams have achieved complex technical breakthroughs, among which, we have established and improved the emergency center, successfully building it into a regional medical emergency center. During the Reporting Period, the hospital had achieved remarkable results in respect of its scientific research, successfully applying for and receiving approvals from Nantong Health Commission (南通市衛健委) for three research projects and one from Nantong Science and Technology Bureau (南通市科技局), and winning two third-class awards of Nantong New Technology Introduction Award (南通市新技術引進獎), with four newly accredited postgraduate tutors.

In terms of talent development, Nantong Rich Hospital, in response to the spirit of "industry-education integration" and "school-enterprise cooperation", has organized the "Rici Class" with the School of Medicine and the School of Nursing and the School of Public Health of Yangzhou University (揚州大學醫學院、護理學院•公共衛生學院), in order to jointly cultivate high-quality medical talents with an international vision, an innovative spirit and strong leadership. To meet the health needs of the people, Nantong Rich Hospital, focusing on tumor prevention and treatment, has been working closely with six hospitals affiliated with Fudan University in the fields of medical oncology, gastric surgery, intestinal surgery, thyroid, breast surgery and gynecological oncology, etc., and has been promoting Fudan Medical's (復旦醫療) standardized diagnosis and treatment model by creating a talent development program for further training.

During the Reporting Period, with the general hospital business gradually recovering, Nantong Rich Hospital provided services for 357,058 outpatient visits (2022: 356,610) and 31,112 inpatient visits (2022: 26,141), representing an increase of 0.1% and 19.0% from the same period last year, respectively. Nantong Rich Hospital optimized its revenue structure by improving its core indicators, actively treating positive physical examination cases, and increasing medical revenue from outpatient examinations and tests. During the same period, the drug ratio decreased by 3.9 percentage points, the average hospital stay was shortened by 0.4 day, and the number of surgeries increased by 8.2%.

Located in Nantong Rich Hospital, Nantong Rich Meidi Elderly Care Centre is a joint venture 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, 2023, Nantong Rich Meidi Elderly Care Centre has served 95 elderly people (2022: 101) with an occupancy rate of 89.6% (2022: 94.2%).

Medical Examination Business

The revenue of the medical examination business takes up 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 synergy effect between mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC Medical Examination", we focused on five key markets, namely Shanghai, Beijing, Jiangsu, the Greater Bay Area and Zhejiang, and established standards for the medical treatment, management and chain industries with our persistence in people-oriented medical treatments. As of December 31, 2023, the Group had 79 medical examination centers in China, among which 72 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, the medical examination segment adhered to the development philosophy of “Healthcare Protection, Quality Service” by improving healthcare management tools, enhancing remote monitoring of the system, and bolstering discipline development and medical guidance. In terms of medical quality assurance, the medical examination segment is dedicated to developing key disciplines such as ultrasound, imaging, examinations, and chief medical examinations, with the three-layer quality control system covering all disciplines and operating effectively. By implementing quality control documentation, the segment improved medical quality control information with a focus on “management of important abnormal results”. In order to further improve service details and enhance customer satisfaction, a series of activities such as the “Courteous and Responsive (彬彬有禮、快速響應)” campaign were launched. Through intelligent transformation, the customer service system and customer satisfaction evaluation system were established, enabling real-time monitoring and response to customer feedback. At the same time, we have implemented unified training, customer evaluations, and unexpected visits to medical examination centers to specifically enhance grooming, the use of polite language, and privacy protection.

During the Reporting Period, the results of the medical examination segment saw significant growth due to the increase in the personal medical examination market brought about by the heightened health awareness of the entire society after the pandemic. During the Reporting Period, the total number of customer visits under the medical examination business was 4,294,487 (2022: 3,258,924), representing an increase of 31.8% from last year. Among such customers, corporate customers constituted the main customer base of the Group for medical examination business, accounting for approximately 67.6%. During the Reporting Period, the number of corporate and individual customers was 2,904,102 and 1,390,385 (2022: 2,476,135 and 782,789), representing an increase of 17.3% and 77.6% from last year, respectively. The average spending per capita was RMB555.2 (2022: RMB541.0), representing an increase of 2.6% from last year.

Prospects

After a series of major events in the industry such as anti-corruption in healthcare, Diagnosis Related Group (DRG)/Diagnosis-Intervention Packet (DIP) reform, and healthcare service price reform, the hospital industry shall provide affordable and beneficial services to the public, and will flourish by improving efficiency, emphasizing value, and striving for innovation. Nantong Rich Hospital aims to become a Class III Grade A general hospital and strives to be one of the three major medical centers in Nantong. Specifically, through the implementation of the Three-Year Plan for High-Quality Development of Key Specialties (《重點專科高質量發展三年計劃》), we will create specialties and technologies to enhance the core competitiveness of the hospital. We will continue to attract high-level medical talents, strengthen the cultivation of the hospital's talent team, and fully utilize collaboration with the hospitals affiliated with Fudan University to enhance Nantong Rich Hospital's comprehensive strength in medicine, education, and research. By implementing the "Patient Satisfaction Priority (患者滿意度第一)" action plan, we are committed to improving patients' medical experience and satisfaction, to shape the hospital's quality service brand. We will further strengthen the synergistic transformation of the Group's hospital with medical examination and nursing home to enhance operational performance.

Our people's life quality improvement has escalated the demand for health management. For the medical examination industry, especially for high-end medical examination, specialized medical examination and other segments, creating a health management system with medical examination as the first step and providing customers with the health management and comprehensive protection have become the driving factor of the industry's future growth. China has strategically prioritised the protection of people's health and insisted on the principle of disease prevention. The launch and implementation of "Healthy China 2030" and the "14th Five-Year Plan" will further boost the high-quality development of the medical examination industry. 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 Medical Examination", complementing each other, to meet the new needs of consumers for medical examination services under the trend of aging population and younger individuals developing chronic diseases. We will continue to focus on five key markets, namely Shanghai, Beijing, Jiangsu, the Greater Bay Area and Zhejiang, and expand nationwide to build a high-quality healthcare service system. We are dedicated to strengthen our organization, talent and training systems, and will continue to invest in medical operations, quality and safety, and customer service to further enhance our management standards.

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 years indicated:

	Year ended 31 December		Percentage
	2023	2022	change
	RMB'000	*RMB'000*	
Continuing operations			
General hospital business	**627,659**	631,112	(0.5%)
Medical examination business	**2,386,006**	1,765,390	35.2%
Inter-segment	**(20,976)**	(21,475)	(2.3%)
Total	**2,992,689**	2,375,027	26.0%

The Group's revenue from continuing operations increased by 26.0% from RMB2,375.0 million in 2022 to RMB2,992.7 million in 2023.

Revenue from the general hospital business in 2023 amounted to RMB606.7 million, representing a decrease of 0.5% from the revenue of RMB609.6 million in 2022, excluding the inter-segment revenue of RMB21.0 million and RMB21.5 million in 2023 and 2022, respectively. The decrease was mainly due to a slight decrease in pharmaceutical revenue, which resulted in a slight decrease in revenue from the general hospital business.

Revenue from the medical examination business in 2023 amounted to RMB2,386.0 million, representing an increase of 35.2% from RMB1,765.4 million in 2022, primarily due to an increase of 31.8% in the number of customer visits in medical examinations and a rise of 2.6% 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 years indicated:

	Year ended 31 December		Percentage
	2023	2022	change
	RMB'000	*RMB'000*	
Continuing operations			
General hospital business	**503,607**	492,337	2.3%
Medical examination business	**1,260,549**	976,963	29.0%
Inter-segment	**(20,976)**	(21,475)	(2.3%)
Total	**1,743,180**	1,447,825	20.4%

The Group's cost of sales from continuing operations increased by 20.4% from RMB1,447.8 million in 2022 to RMB1,743.2 million in 2023.

Cost of sales from the general hospital business in 2023 amounted to RMB503.6 million, representing an increase of 2.3% from RMB492.3 million in 2022. The increase in cost of sales was mainly due to the conversion of the second phase expansion project of Nantong Rich Hospital into fixed assets in 2023, which resulted in the increase of depreciation.

Cost of sales from the medical examination business in 2023 amounted to RMB1,260.5 million, representing an increase of 29.0% from RMB977.0 million in 2022, mainly due to the increase in revenue from the medical examination business as a result of the increasing number of customer visits in medical examinations in 2023. Notwithstanding the above, the increase in costs was less than the growth in revenue as fixed costs such as depreciation and amortization remained relatively stable.

Gross Profit

The Group's gross profit from continuing operations increased from RMB927.2 million in 2022 to RMB1,249.5 million in 2023. Gross profit margin increased by 2.8 percentage points from 39.0% in 2022 to 41.8% in 2023.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses from continuing operations amounted to RMB380.6 million in 2023, as compared to RMB286.8 million in 2022 mainly due to the increased labour costs.

Administrative Expenses

Administrative expenses from continuing operations amounted to RMB223.8 million in 2023, as compared to RMB222.4 million in 2022.

Other Income

The Group's other income from continuing operations, which is mainly comprised of government subsidies and rental income, amounted to RMB26.6 million in 2023 (2022: RMB22.0 million).

Other Losses

The Group's other losses from continuing operations in 2023 amounted to RMB5.7 million (2022: RMB11.8 million). 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 RMB112.2 million in 2023, as compared to the net finance costs of RMB104.9 million in 2022. Exchange gains amounted to RMB4.5 million in 2023, while the exchange gains in 2022 was RMB11.7 million.

Share of Results of Investments Accounted for Using Equity Method

In 2023, the Group recognized a share of profit of RMB1.0 million from investments accounted for using equity method (2022: RMB0.4 million) in its consolidated results, mainly due to (i) a share of profit of investments accounted for using equity method of RMB0.5 million of Nantong Rich Meidi Elderly Care Centre Co., Ltd., a subsidiary of a joint venture of the Group, whose business operation has been stable since its establishment in the second half of 2014; and (ii) a share of profit of investments accounted for using equity method of RMB0.5 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense

In 2023, income tax expense from continuing operations amounted to RMB143.7 million (2022: income tax expense of RMB84.0 million). The increase in income tax was mainly due to an increase in income tax expense resulting from an increase in the profit from continuing operations for the year.

Profit for the Year

As a result of the above, the Group reported a net profit of RMB402.0 million for the Reporting Period (2022: a net profit of RMB267.2 million), which was mainly attributable to the significant growth in revenue from the medical examination business.

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 December 31	
	2023	2022
	RMB'000	*RMB'000*
Calculation of adjusted EBITDA from continuing operations		
Profit for the Year	**401,975**	243,149
Adjustments to the following items:		
Income tax expense	**143,657**	84,041
Finance costs — net	**112,246**	104,907
Depreciation and amortization	**396,838**	340,803
Pre-opening expenses and EBITDA loss of soft-opening[(1)]	**20,959**	35,284
Share options (clawback)/expenditure	**(3,247)**	10,948
Adjusted EBITDA	**1,072,428**	819,132
Adjusted EBITDA margin[(2)]	**35.8%**	34.5%

Notes:

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

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

Adjusted EBITDA from continuing operations in 2023 amounted to RMB1,072.4 million, representing an increase of 30.9% as compared to that of RMB819.1 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 December 31, 2023, the property and equipment of the Group totally amounted to RMB1,496.2 million, representing an increase of RMB51.6 million as compared to RMB1,444.6 million as at December 31, 2022.

Trade Receivables

As at December 31, 2023, the trade receivables of the Group were RMB299.5 million, representing an increase of RMB20.8 million as compared to RMB278.7 million as at December 31, 2022.

Net Current Liabilities

As at December 31, 2023, the Group's current liabilities exceeded its current assets by RMB726.6 million (as at December 31, 2022: RMB797.5 million). The decrease in the Group's net current liabilities was mainly due to the significant increase in the year-end balance of the Group's cash and cash equivalents as a result of the higher increase in the Group's revenue in 2023.

Liquidity and Capital Resources

As at December 31, 2023, the Group had cash and cash equivalents of RMB811.2 million (as at December 31, 2022: RMB720.1 million), with available unused bank facilities of RMB180.0 million (as at December 31, 2022: RMB170.0 million). As at December 31, 2023, the Group had outstanding borrowings of RMB866.6 million (as at December 31, 2022: RMB935.3 million), with non-current portion of long-term borrowings of RMB219.1 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 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

In January 2023, 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)) exercised the put 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 material investments, material acquisitions or disposals during the Reporting Period.

Capital Expenditure and Commitments

In 2023, the Group incurred capital expenditures of RMB558.0 million (2022: RMB747.3 million), primarily due to (i) the Renovation Project of Nantong Rich Hospital Phase I; (ii) purchases of medical equipment as well as renovation for our medical examination centers and general hospital; and (iii) the lease of business premises for new medical examination centers.

As at December 31, 2023, the Group had a total capital commitment of RMB32.5 million (as at December 31, 2022: RMB80.1 million), mainly comprising the leasehold improvement.

Borrowings

As at December 31, 2023, the Group had total bank and other borrowings of RMB866.6 million (as at December 31, 2022: RMB935.3 million). Please refer to Note 11 to the consolidated financial information for more details.

Contingent Liabilities

The Group had no material contingent liability as at December 31, 2023 (as at December 31, 2022: Nil).

Financial Instruments

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

Gearing Ratio

As at December 31, 2023, on the basis of net debt divided by total capital, the Group's gearing ratio was 56.7% (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 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, 2023, borrowings of RMB399,439,000 were floating rate borrowings (as at December 31, 2022: RMB532,325,000). We did not hedge our cash flow and fair value interest rate risk during the Reporting Period.

Foreign Exchange Risk

For the year ended December 31, 2023, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits denominated in Hong Kong dollar and 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 RMB3,269.1 million as at December 31, 2023 (as at December 31, 2022: RMB3,426.6 million).

Pledge of Assets

As at December 31, 2023, the Group had assets with a total carrying amount of RMB135,271,000 (as at December 31, 2022: assets of RMB202,739,000 and restricted deposits of RMB52,000,000) pledged for the Group's borrowings.

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. The net proceeds from the IPO had been 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.

HUMAN RESOURCES

The Group had 9,413 employees as at December 31, 2023, as compared to 8,737 employees as at December 31, 2022. 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, 2023.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended December 31, 2023.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, June 13, 2024 to Wednesday, June 19, 2024, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on June 19, 2024 (the "**2024 AGM**"). In order to be eligible to attend and vote at the 2024 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 Wednesday, June 12, 2024.

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 C1 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 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 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 C3 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, 2023, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Scope of Work of BDO Limited on the annual result announcement

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, 2023 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 audited 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, 2023 will be published on the aforesaid websites and will only be despatched to the Shareholders who have requested the receipt of corporate communications in printed copy 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 28, 2024

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.