ANNUAL REPORT

2023年報

# RICI HEALTHCARE HOLDINGS LIMITED

# 瑞慈醫療服務控股有限公司

# CONTENTS



# Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

| | |
|---|---|
| "2024 AGM" | the AGM to be held on June 19, 2024 |
| "AGM" | annual general meeting of the Company |
| "Articles of Association" or "Articles" | the memorandum and articles of association of our Company, as amended from time to time |
| "Audit Committee" | the audit committee of the Board |
| "Beijing Rich" | Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司), a company incorporated in the PRC with limited liability on May 20, 2015 and an indirectly wholly-owned subsidiary of the Company |
| "Board of Directors" or "Board" | our board of Directors |
| "BVI" | British Virgin Islands |
| "CG Code" | the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules |
| "Chelsea Grace" | Chelsea Grace Holdings Limited (翠慈控股有限公司), a company incorporated in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei |
| "Chengdu Rich" | Chengdu Jinjiang Rich Clinic Co., Ltd. (成都錦江瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on November 6, 2013, which is an indirectly wholly-owned subsidiary of our Company |
| "China" or "PRC" | the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan |
| "Company", "our Company", "Rici", "Group", "our Group", "we" or "us" | Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 11, 2014 and except where the context indicated otherwise, (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be) |
| "Company Secretary" | the secretary of the Company |
| "Controlling Shareholder(s)" | Dr. Mei and Chelsea Grace or any one of them |
| "Director(s)" | the director(s) of our Company or any one of them |

| | |
|---|---|
| "Dr. Fang" | Dr. Fang Yixin, our chairman, chief executive officer, executive Director and the spouse of Dr. Mei and the father of Mr. Fang Haoze |
| "Dr. Mei" | Dr. Mei Hong, our executive Director, a Controlling Shareholder and the spouse of Dr. Fang and the mother of Mr. Fang Haoze |
| "Grade A, Grade B and Grade C" | hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China |
| "Hangzhou Rich" | Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司), a company incorporated in the PRC with limited liability on December 1, 2016 and an indirectly wholly-owned subsidiary of the Company |
| "Hefei Rich" | Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司), a company incorporated in the PRC with limited liability on June 29, 2015, which is an indirectly wholly-owned subsidiary of the Company |
| "HK$" or "Hong Kong dollars" | Hong Kong dollars and cents, each being the lawful currency of Hong Kong |
| "HKFRSs" | Hong Kong Financial Reporting Standards |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IPO" | the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016 |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange |
| "Listing Date" | October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| "Model Code" | the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules |
| "Nanjing Rich" | Nanjing Rich Clinic Co., Ltd. (南京瑞慈門診部有限責任公司), a company incorporated in the PRC with limited liability on December 1, 2008, which is an indirectly wholly-owned subsidiary of our Company |
| "Nantong Rich Hemodialysis Centre" | Nantong Rich Hemodialysis Centre Co., Ltd. (南通瑞慈血液透析有限公司), a company incorporated in the RPC with limited liability on September 8, 2017, which is an indirectly wholly-owned subsidiary of our company |

# Definitions

| | |
|---|---|
| "Nantong Rich Meidi Elderly Care Centre" | Nantong Rich Meidi Elderly Care Centre Co., Ltd. (南通瑞慈美邸護理院有限公司), a company incorporated in the PRC with limited liability on August 19, 2014, which is a subsidiary of joint venture of our Group |
| "Nantong Rich Hospital" | Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company incorporated in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of our Company |
| "NHC" | the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) |
| "Nomination Committee" | the nomination committee of the Board |
| "Prospectus" | the prospectus of the Company dated September 26, 2016 |
| "Pre-IPO Share Option Scheme" | the pre-IPO share option scheme adopted by the Company on September 19, 2016 |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Reporting Period" | the year ended December 31, 2023 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Shanghai Rich" | Shanghai Rich Clinic Co., Ltd. (上海瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on February 14, 2007, which is an indirectly wholly-owned subsidiary of our Company |
| "Share(s)" | ordinary share(s) of US$0.0001 each in the issued share capital of the Company |
| "Shareholder(s)" | holder(s) of Shares |
| "Share Option Scheme" | the share option scheme conditionally adopted by our Company on September 19, 2016 |
| "Shenzhen Rich Medical Exam" | Shenzhen Rich Medical Examination Management Co., Ltd. (深圳瑞慈健康體檢管理有限公司), a company incorporated in the PRC with limited liability on September 17, 2010, which is an indirectly wholly-owned subsidiary of our Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

| | |
|---|---|
| "Wuhan Rich" | Wuhan Rich Clinic Co., Ltd. (武漢瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on January 29, 2015, which is an indirectly wholly-owned subsidiary of our Company |
| "%" | per cent |

# Corporate Profile

## BOARD OF DIRECTORS

**Executive Directors**
Dr. Fang Yixin *(Chairman and Chief Executive Officer)*
Dr. Mei Hong
Mr. Fang Haoze
Ms. Lin Xiaoying

**Independent Non-executive Directors**
Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

## COMPANY SECRETARY

Mr. Chen Kun *(Solicitor of HKSAR)*

## AUTHORISED REPRESENTATIVES

Dr. Fang Yixin
Mr. Chen Kun

## AUDIT COMMITTEE

Ms. Wong Sze Wing *(Chairlady)*
Mr. Jiang Peixing
Dr. Wang Yong

## REMUNERATION COMMITTEE

Mr. Jiang Peixing *(Chairman)*
Ms. Wong Sze Wing
Dr. Mei Hong

## NOMINATION COMMITTEE

Dr. Fang Yixin *(Chairman)*
Dr. Wang Yong
Mr. Jiang Peixing

## AUDITOR

BDO Limited
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
25th Floor, Wing On Centre
111 Connaught Road Central

## REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

17/F
Qiantan International Plaza
No. 90 Qirong Road
Pudong New District
Shanghai
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2413A, 24/F.
Tower One, Lippo Center
89 Queensway, Admiralty
Hong Kong

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
4-4A Des Voeux Road Central
Hong Kong

Shanghai Pudong Development Bank
Zhangjiang Innovation Sub-branch,
Building D, No. 56, Boyun Road
Pudong New District
Shanghai
PRC

China Merchants Bank
Jinshajiang Road Branch
1759 Jinshajiang Road
Putuo District
Shanghai
PRC

Bank of Communications
Shanghai Zhang Jiang Sub-branch
560 Songtao Road
Pudong New District
Shanghai
PRC

Bank of Shanghai
Zhangjiang Sub-branch
No.665 Zhang Jiang Road
Pudong New District
Shanghai
PRC

## HONG KONG LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

## STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

## WEBSITE

www.rich-healthcare.com

# Milestones

| Year | Events |
|---|---|
| 2000 | • We established our first operating entity, Nantong Rich Hospital |
| 2002 | • Nantong Rich Hospital came into operation |
| 2007 | • Our first medical examination center, Shanghai Rich, was established |
| 2008 | • We expanded our medical examination business into Jiangsu Province by establishing Nanjing Rich |
| 2010 | • We expanded into Guangdong Province by establishing Shenzhen Rich Medical Exam |
| 2013 | • We expanded our medical examination business into Sichuan Province by establishing Chengdu Rich |
| 2015 | • We expanded our medical examination business into Hubei Province, Anhui Province and Beijing by establishing Wuhan Rich, Hefei Rich and Beijing Rich, respectively |
| 2016 | • Our Shares are listed on the Main Board of the Stock Exchange on October 6, 2016 with stock code: 1526 |
| 2017 | • We expanded our medical examination business into Zhejiang Province by establishing Hangzhou Rich |
| 2018 | • We expanded our medical examination business into Fujian Province and Shandong Province by establishing Jinjiang Rich Ruiquan Clinic Service Co., Ltd. and Jinan Rich Ruiji Health Management Co., Ltd., respectively |
| | • We expanded our general hospital business through the expansion project of Nantong Rich Hospital Phase II, which is still in progress |
| | • Nantong Rich Hemodialysis Centre commenced operation |
| 2019 | • With cooperation with a team of experts, Nantong Rich Hospital established “Rich Shanghai Cancer Center (瑞慈上海腫瘤中心)”, introducing advanced medical technologies |
| | • ”XMEDIC Medical Examination”, a high-end health examination brand officially landed, and the first XMEDIC Medical Examination Center commenced operation in Nanjing |
| 2020 | • Nantong Rich Hospital was officially branded as Nantong Rich Oncology Hospital (南通瑞慈腫瘤醫院) |
| | The second XMEDIC Medical Examination Center commenced operation in Shanghai |
| 2021 | • We recorded profit of RMB126.1 million for the year ended December 31, 2021 |
| 2022 | • XMEDIC Medical Examination Center of Nantong Rich Hospital Phase II was officially put into trial operation |
| 2023 | • Nantong Rich Hospital’s new integrated ward building was officially opened, launching comprehensive collaboration with the hospitals affiliated with Fudan University |
| | • Shanghai Qiantan XMEDIC Medical Examination Center was officially opened along with an unveiling ceremony jointly held with the Shanghai Sixth People’s Hospital affiliated with Shanghai Jiaotong University |

# 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.

# Financial Summary

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019[2] | 2020[2] | 2021[2] | 2022[2] | **2023[2]** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| | | | | (Represented)* | |
| **Revenue** | 1,726,206 | 1,925,190 | 2,377,207 | 2,375,027 | **2,992,689** |
| Gross profit | 483,982 | 580,664 | 975,217 | 927,202 | **1,249,509** |
| Profit/(loss) before income tax | (168,248) | (108,823) | 392,075 | 327,190 | **545,632** |
| Income tax (expense)/credit | (2,250) | 16,326 | (98,373) | (84,041) | **(143,657)** |
| Profit/(loss) for the year from continuing operations | (170,498) | (92,497) | 293,702 | 243,149 | **401,975** |
| Profit/(loss) for the year from discontinued operations | – | – | (167,597) | 24,038 | **–** |
| **Profit/(loss) for the year** | (170,498) | (92,497) | 126,105 | 267,187 | **401,975** |
| **Profit/(loss) attributable to:** | | | | | |
| Owners of the Company | (69,163) | (7,876) | 181,553 | 290,793 | **363,803** |
| Non-controlling interests | (101,335) | (84,621) | (55,448) | (23,606) | **38,172** |
| Adjusted EBITDA[1] | 404,665 | 468,214 | 843,223 | 819,132 | **1,072,428** |

| | As at December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | **2023[2]** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| Total assets | 4,070,577 | 4,210,994 | 4,536,199 | 4,566,858 | **4,637,755** |
| Total liabilities | 3,507,641 | 3,878,554 | 3,948,773 | 3,662,032 | **3,523,710** |
| Equity attributable to the owners of the Company | 644,235 | 505,809 | 677,500 | 953,918 | **1,126,945** |

Note:

(1) To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted EBITDA as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business.

(2) The Group disposed the specialty hospital business during the year ended December 31, 2022. The specialty hospital business has been represented as discontinued operations in the consolidated statement of profit or loss for the years ended December 31, 2021, 2022 and 2023. For the purpose of this financial summary, the specialty hospital business has not been represented as discontinued operation for the years ended December 31, 2019 and 2020, respectively.

# Chairman's Statement

To the Shareholders,

On behalf of the Board, I would like to present this annual report of the Group for the year ended December 31, 2023.

In 2023, China's healthcare industry developed steadily despite various challenges. In the first year after the comprehensive adjustment of the prevention and control measures for the COVID-19 pandemic, healthcare payment was still under pressure. In this regard, China has spared no effort to deepen healthcare system reform by introducing regulatory policies and setting up industry norms. Private healthcare has flourished under the long-term support of the national policies. With the increasingly obvious trend of aging population and younger individuals developing chronic diseases, the contradiction between the supply and demand of healthcare resources has become prominent, and therefore, the position and role of private hospitals in the healthcare sector has become more and more indispensable. In 2023, the State Council issued the Opinions on Further Deepening the Reform and Promoting the Healthy Development of the Rural Healthcare System (《關於進一步深化改革促進鄉村醫療衛生體系健康發展的意見》), which encourages social forces to set up clinics, outpatient departments, and private hospitals, etc., to provide diversified healthcare services to the rural population and to participate in undertaking government-funded public healthcare services.

As a diversified privately-owned integrated medical service group with influence in China, the Group remains resilient and responsible while seeking progress amidst stability. It adheres to the principle of "focusing on the main business to realise high-quality development". In 2023, as the Group quickly emerged from the impact of the pandemic and capitalized on the opportunities arising from the changes in the industry, its business scale, operational efficiency and brand influence were further enhanced. In the future, the Group will establish standards for the medical treatment, management and chain industries with our persistence in people-oriented medical treatments, and become a leader with high-quality development in the medical examination industry of China.

In 2023, Nantong Rich Hospital achieved good results in terms of business scale, operational quality, medical education and research capabilities. During the Reporting Period, the new integrated ward building of Nantong Rich Hospital was officially opened. Upon its full commissioning, the number of beds in the hospital was expanded to 1,500, which further enhances the capacity of the hospital's medical services. The hospital has achieved remarkable results in respect of its scientific research, successfully applying for and obtaining the approval of three topics from Nantong Health Commission (南通市衛健委) and one topic from Nantong Science and Technology Bureau (南通市科技局), and winning two third prizes of Nantong New Technology Introduction Award (南通市新技術引進獎), with four newly accredited postgraduate tutors. A number of departments in the hospital strived for excellence in diagnostic and treatment techniques and have made significant technological breakthroughs in the treatment of difficult surgeries, thus creating a golden brand of key disciplines. During the Reporting Period, the number of inpatient visits of Nantong Rich Hospital reached 31,112 (2022:26,141), the number of outpatient visits reached 357,058 (2022: 356,610), and the revenue of the general hospital segment reached RMB627.659 million.

# Chairman's Statement

In 2023, the Group's medical examination segment achieved significant operational milestones supported by a more mature management team. The Group gained deeper insight of the medical examination business with its improved management standards while enhancing its operation quality and brand reputation. All these efforts enabled the Group to strengthen its edge in the industry and laid the foundation for the sound development of the Group's medical examination segment in the future. During the Reporting Period, the medical examination segment 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", the segment focused on five key markets, namely Shanghai, Beijing, Jiangsu, the Greater Bay Area and Zhejiang, and established standards for medical treatment, management and chain industries. Since the end of the pandemic, the medical examination industry has seen a strong recovery. Our medical examination segment has seized the market opportunity to realize large-scale growth by focusing on product innovation, integrated marketing, and tapping into the market for high-end customers. During the Reporting Period, the total number of customer visits under the medical examination business was 4,294,487 with a revenue of RMB2,386.006 million, representing an increase of 35.2% over 2022.

With the arrival of the post-pandemic era, the people have enhanced healthcare awareness, paying more attention to their health. In addition, they tend to pursue refined health management online with significant demand for disease prevention and chronic disease management. With the aging trend under the population structure, healthcare consumption is poised for rigid growth, and the total number of patient visits and per capita patient visit fees will increase steadily. In the future, the general hospital segment will focus on specialty capability building, cultivate a core team of backbone talents, build a satisfactory service brand recognized by patients and staff, and develop innovative medical service products such as rehabilitation and chronic disease management to provide high-quality and diversified medical services to patients. In the future, the medical examination business will adhere to the people-oriented approach and strive to improve medical quality and service efficiency. It is committed to innovating and upgrading medical products, to break through the homogenization barrier of the industry. The medical examination business will further explore the market for mid-to-high-end customers and enhance brand awareness and reputation.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to all shareholders, investors and partners of the Group for their sincere companion in the past year, and at the same time, I would like to express my sincere respect for the hard work of the Group's management team and all employees. In 2024, China's economic development has entered a new era, driven by the new and eliminating the outdated, which is also a fresh starting point for the great-leap growth of the Group. Rici has always adhered to the golden track of medical care and actively responded to the Outline of the Program for Healthy China 2030, keeping our corporate strategy in alignment with the national strategy. Looking forward, our Group will strive to become the leader of high-quality medical services in China, provide more high-quality medical services for our people, and contribute to the Healthy China 2030 strategy.

*Chairman*
**Fang Yixin**

March 28, 2024

# Profiles of Directors and Senior Management

Below are the brief profiles of the current Directors and senior management of the Group.

## DIRECTORS

The Board currently consists of seven Directors, comprised of four executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

| Name | Age | Position | Date of Appointment as Director |
|---|---|---|---|
| **Executive Directors** | | | |
| Dr. Fang Yixin (方宜新) | 59 | Chairman, Executive Director and Chief Executive Officer | February 3, 2016 |
| Dr. Mei Hong (梅紅) | 59 | Executive Director | July 11, 2014 |
| Mr. Fang Haoze (方浩澤) | 35 | Executive Director | June 24, 2019 |
| Ms. Lin Xiaoying (林曉穎) | 46 | Executive Director | June 24, 2019 |
| **Independent non-executive Directors** | | | |
| Dr. Wang Yong (王勇) | 58 | Independent non-Executive Director | June 23, 2016 |
| Ms. Wong Sze Wing (黃斯穎) | 45 | Independent non-Executive Director | June 23, 2016 |
| Mr. Jiang Peixing (姜培興) | 56 | Independent non-Executive Director | June 6, 2017 |

### Executive Directors

**Dr. Fang Yixin (方宜新)**, aged 59, is the chairman of the Board, an executive Director and the chief executive officer of our Company. Dr. Fang is responsible for managing the overall business operations, strategic planning and brand management, and is responsible for the business operation of Nantong Rich Hospital of our Group. Dr. Fang has over 30 years of experience in the healthcare industry and is a founder of our Group. Prior to establishing our Group, Dr. Fang served as a medical doctor in the Affiliated Hospital of Nantong University (南通大學附屬醫院) from September 1986 to July 1992. In 1992, Dr. Fang first ventured into the healthcare industry and set up Jiangsu Tayoi Cosmetics Co., Ltd. (江蘇東洋之花化妝品股份有限公司) and has been its director since then. Dr. Fang established the first company of our Group, Nantong Rich Hospital, in August 2000. Dr. Fang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Fang graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in medicine in August 1986 and an EMBA from Tsinghua University in July 2006, and obtained a doctor degree of business administration from University of Minnesota in 2018. Dr. Fang is spouse of Dr. Mei Hong (an executive Director  of Company) and father of Mr. Fang Haoze (an executive Director of Company. For Dr. Fang's interest in the shares of the Company under SFO, please refer to the section headed "Directors' Report-Interests of Directors and Chief Executive in Securities.".

**Dr. Mei Hong (梅紅)**, aged 59, is an executive Director and executive vice president of the Company. Dr. Mei is responsible for logistics management, information management, and construction management of our Group. Prior to establishing our Group, Dr. Mei served as a medical doctor in Nantong Women and Children Health Clinic (南通市婦幼保健院) from September 1986 to December 1999. Dr. Mei, as a co-founder of our Group, has been a director of Nantong Rich Hospital since its inception. Dr. Mei is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Mei graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in clinical medicine in August 1986. Dr. Mei is the spouse of Mr. Fang Yixin (an executive Director) and mother of Mr. Fang Haoze (an executive Director). For Dr. Mei's interest in the shares of the Company under SFO, please refer to the section headed "Directors' Report — Interests of Directors and Chief Executive in Securities".

**Mr. Fang Haoze (方浩澤)**, aged 35, is an executive Director, executive vice president of the Company, the general manager of the medical examination business department, the general manager of the audit department of the Company and the general manager of the strategic customer business department. Mr. Fang is responsible for the overall operation and management of the medical examination business department and the internal audit. Mr. Fang received a bachelor's degree in economics from Penn State University in 2014 and joined the Group in August 2014. Mr. Fang is the son of Dr. Fang, the chairman, an executive Director and chief executive officer of the Company, and Dr. Mei, an executive Director.

**Ms. Lin Xiaoying (林曉穎)**, aged 46, is an executive Director, executive vice president and the chief operating officer of the Company, and is responsible for the financial, legal, investment and financing, human resources, administrative affairs of the Group. Ms. Lin joined the Group in July 2017 as the assistant to president, general manager of human resources center and director of the president office, and was appointed as a vice president of the Company in January 2018. Prior to joining the Group, Ms. Lin served in several positions in ZTE Corporation (中興通訊股份有限公司, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 0763) and Shenzhen Stock Exchange (stock code: 000063)), including the chief of operation management department of the handset division, the chief of commercial department and the chief commercial officer of the international sales division from July 1999 to July 2017. Ms. Lin received a bachelor's degree in international economics from Renmin University of China (中國人民大學) in 1999 and a master's degree in business administration from University of Management and Technology in the United States of America in June 2006.

## Independent Non-executive Directors

**Dr. Wang Yong (王勇)**, aged 58, is an independent non-executive Director. Dr. Wang is responsible for supervising and providing independent judgement to our Board. Dr. Wang has extensive experience in EMBA education research, particularly in the area of innovation and business growth management. Dr. Wang served as project manager of the Institute of Mechanical and Electrical, and manager of Water and Power Equipment Plant and Exhibition Model Plant of China Institute of Water Resources and Hydropower Research (中國水利水電科學研究院) in charge of scientific research and operation management from July 1988 to July 2002. Since August 2002, Dr. Wang has been director of Tsinghua University School of Economics and Management EMBA Centre (清華大學經濟管理學院EMBA教育中心), director of the Executive Education Centre and the Entrepreneur Scholars Program in succession. From November 2018 to December 2023, and from April 2020 to June 2025, Dr. Wang will serve as independent director of Everbright Securities Co., Ltd. (a company listed on Shanghai Stock Exchange (stock code: 601788) and the Main Board of the Stock Exchange (stock code: 6178)) and Yunnan Copper Industry Co., Ltd. (a company listed on Shenzhen Stock Exchange (stock code: 000878)). Save as disclosed above, Dr. Wang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Wang received a bachelor of science degree in hydraulic machinery from Huazhong University of Science and Technology (華中科技大學) in July 1988, a master of business administration and a doctor of business administration degree from Tsinghua University in January 2001 and January 2009, respectively.

**Ms. Wong Sze Wing (黃斯穎)**, aged 45, is an independent non-executive Director. Ms. Wong is responsible for supervising and providing independent judgment to our Board. Prior to joining our Group, Ms. Wong was an associate and later an audit manager of PricewaterhouseCoopers from September 2001 to December 2006. From January 2007 to April 2008, Ms. Wong was the chief finance director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 1132)), and has been its independent non-executive director since April 2010, responsible for advising on strategic and financial planning in the China market. Ms. Wong was also previously the chief finance director of Avex Music and Imaging Production (China) Co., Ltd. (艾迴音樂影像製作(中國)有限公司), a joint venture company under Orange Sky Entertainment (International) Holdings Limited, from January 2007 to April 2008. Ms. Wong was deputy chief financial officer of Yingde Gases Company Limited (盈德氣體集團有限公司) since joining in July 2008, and has been chief financial officer and joint company secretary since February 2009, responsible for its investor relations, financial, investment and internal control. Ms. Wong Sze Wing was appointed as an independent director of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司) (a company listed on Shenzhen Stock Exchange (stock code: 300017)) in April 2017, an independent non-executive director of Jiangxi Ganfeng Lithium Co.,Ltd. (江西贛鋒鋰業股份有限公司) (a company listed on Shenzhen Stock Exchange (stock code: 002460) and the Main Board of the Stock Exchange (stock code: 1772)) in June 2018, an independent non-executive director of Giant Biogene Holding Co., Ltd. (巨子生物控股有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 2367)) in May 2022 and an independent non-executive director of REPT BATTERO Energy Co., Ltd. (瑞浦蘭鈞能源股份有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 0666)) in November 2022. Ms. Wong also served as an independent director of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司) (a company listed on Shenzhen Stock Exchange (stock code: 002236)) from May 2017 to August 2020, and an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd. (新疆拉夏貝爾服飾股份有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 6116)) from January 2021 to June 2021. Save as disclosed above, Ms. Wong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Wong received a bachelor's degree in business administration from the University of Hong Kong in November 2001 and an EMBA from the China Europe International Business School (中歐國際商學院) in July 2012. Ms. Wong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2005.

**Mr. Jiang Peixing (姜培興)**, aged 56, is an independent non-executive Director. Mr. Jiang is responsible for supervising and providing independent judgment to our Board. Prior to joining our Group, Mr. Jiang has been the chairman of the board of directors of Huade Capital Management Group Co., Ltd. (華德資本管理集團有限公司) since May 2017, an independent non-executive director of Hebei Tangshan Rural Commercial Bank Co., Ltd. (河北唐山農村商業銀行股份有限公司) from 2015 to 2023, and the chairman of the board of directors of Beijing Huaxiang Lianxin Technology Co., Ltd. (北京華翔聯信科技股份有限公司) (a company listed on the National Equities Exchange and Quotations (stock code: 874037)) since March 2019. Mr. Jiang has extensive experience in corporate finance. Mr. Jiang served as chief executive officer of Zhong De Securities Company Limited (中德證券有限責任公司) from August 2011 to April 2017, and managing director thereof from June 2011 to April 2017. Mr. Jiang served as deputy chief executive officer of CCB International (Holdings) Limited (建銀國際(控股)有限公司) from July 2009 to June 2011. Mr. Jiang served as general manager of Investment Management Department of the head office of China Merchant Bank Co., Ltd. (招商銀行股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600035) and the Main Board of the Stock Exchange (stock code: 3968)), from September 2008 to July 2009, and general manager of the investment bank department thereof from 2006 to 2007. Mr. Jiang served as president of CMB International Capital Corporation Limited (招銀國際金融有限公司) from January 2005 to September 2008. Mr. Jiang served as assistant to president of China Galaxy Securities Co., Ltd. (中國銀河證券有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 601881) and the Main Board of the Stock Exchange (stock code: 6881), from July 2000 to January 2005, and general manager of its Shanghai headquarters from October 2002 to April 2004. Mr. Jiang served as general manager of Shenzhen Yangguang Fund Management Co., Ltd. (深圳陽光基金管理有限公司) from March 1996 to February 2000. Mr. Jiang served as deputy general manager of Futures Business Department of PICC Trust Investment Corporation (中國人保信託投資公司) from January 1994 to March 1996. Save as disclosed above, Mr. Jiang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Jiang received a bachelor's degree in information system management from Tsinghua University (清華大學) in July 1991, a master's degree in business administration from Tsinghua University in July 1999, a master's degree in public administration from Columbia University in June 2002, and obtained a doctor degree of business administration from University of Minnesota in 2018.

## Senior Management

**Dr. Fang Yixin (方宜新)**, please refer to the section headed "— Executive Directors" for biographical details.

**Dr. Mei Hong (梅紅)**, please refer to the section headed "— Executive Directors" for biographical details.

**Mr. Fang Haoze (方浩澤)**, please refer to the section headed "— Executive Directors" for biographical details.

**Ms. Lin Xiaoying (林曉穎)**, please refer to the section headed "— Executive Directors" for biographical details.

# 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 NHC, 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 NHC 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 end of the three-year COVID-19 pandemic. According to data released by the NHC, 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 NHC 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 obtaining 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 prizes 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.

People's life quality improvement in our country 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 2023 RMB'000 | 2022 RMB'000 | Percentage change |
|---|---|---|---|
| **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 31 December | |
|---|---|---|
| | **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 17 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 23 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.

# Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended December 31, 2023.

## 1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has applied the principles and complied with the code provisions as set out in the CG Code for the year ended December 31, 2023. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## 2. THE BOARD

### (1) Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Board Committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

### (2) Directors' and Senior Management's Liability Insurance and Indemnity

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.

## (3) Board Composition

During the year ended December 31, 2023 and as at the date of this annual report, the composition of the Board is as follows:

**Executive Directors**
Dr. Fang Yixin *(Chairman and Chief Executive Officer)*
Dr. Mei Hong
Mr. Fang Haoze
Ms. Lin Xiaoying

**Independent Non-Executive Directors**
Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

Except that Dr. Fang is the spouse of Dr. Mei and Mr. Fang Haoze is the son of Dr. Fang and Dr. Mei, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members.

For the year ended December 31, 2023 and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Ms. Wong Sze Wing has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

## (4) Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, the Nomination Committee (or the Board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

| Position | Number (%) |
| --- | --- |
| Executive Directors | 4 (57.1%) |
| Independent Non-Executive Directors | 3 (42.9%) |

| Gender | Number (%) |
| --- | --- |
| Male | 4 (57.1%) |
| Female | 3 (42.9%) |

| Age | Number (%) |
| --- | --- |
| 30–40 | 1 (14.3%) |
| 41–50 | 2 (28.6%) |
| 51–60 | 4 (57.1%) |

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

It is currently the Board's policy that either gender shall comprise at least 10% of the composition of each of the Board, the senior management, and the workforce. Since the Company is engaged in service industry, it is general market norm that female employees will be of far higher portion than male employees.

At present, two out of the four members of senior management are female, representing 50% of the senior management team. The Company strives to promote diversity and inclusion in the teams, in strict compliance with relevant laws and regulations as well as the Group's policy on eliminating discrimination. The Company offers diversity and inclusion training and applies the principle of equal opportunity to all policies related to human resources, remuneration and benefits, to ensure employment opportunities for people of all kinds. Any discrimination or harassment against employees owing to their marital status, pregnancy, disability, family status, race or gender are prohibited. During the year, our female employees accounted for around 81.5% of the total workforce.

### (5) Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their respective identity of the public companies or organisations and the time involved to the issuer, Directors have agreed to disclose, and already disclosed their commitments to the Company in a timely manner.

### (6) Induction and Continuous Professional Development

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with comprehensive, formal and tailored induction on appointment, and should receive briefing and professional development necessary to ensure that he/she has a proper understanding of the Company's operations and businesses as well as fully aware of his/her responsibilities under relevant statues, laws, rules and regulations. For the year ended December 31, 2023, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2023, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers have facilitated directors' training by the provision or recommendation of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors received training as at the date of this annual report. The Directors are asked to submit a signed training record to the Company on an annual basis.

According to the records kept by the Company, the attendance of the Directors for continuous professional development activities during the year ended December 31, 2023 was as follows:

| Name of Director | Type(s) of continuous professional development activities |
|---|---|
| Dr. Fang Yixin | A, B |
| Dr. Mei Hong | A, B |
| Mr. Fang Haoze | A, B |
| Ms. Lin Xiaoying | A, B |
| Dr. Wang Yong | A, B |
| Ms. Wong Sze Wing | A, B |
| Mr. Jiang Peixing | A, B |

A: Attending briefing(s) and/or training session(s)
B: Reading articles, journals, newspapers and/or other materials

### (7) Chairman and Chief Executive Officer

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, Dr. Fang was appointed as the chief executive officer of the Company on March 20, 2019, and upon his new appointment, the Company does not have a separate chairman and the chief executive officer and Dr. Fang performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang is beneficial to the Group for implementing its new business strategies given his abundant experience in the healthcare industry and longtime and substantive involvement in the day-to-day management and operation of the Group. In addition, the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and capable individuals independent from Dr. Fang (except his spouse, Dr. Mei, and Mr. Fang Haoze, his son). The Board comprised four executive Directors (including Dr. Fang, Dr. Mei, Ms. Lin and Mr. Fang Haoze) and three independent non-executive Directors as at the date of this annual report and therefore has a fairly strong independence element in its composition.

The Board and the senior management, which comprises experienced and high calibre individuals can ensure the balance of power and authority. As at the date of this report, the Board comprises four executive Directors and three independent non-executive Directors.

### (8) Change of Directors

There had not been any changes of the composition of the Board during the year ended December 31, 2023. The Company entered into a letter of appointment with each of the independent non-executive Directors, namely Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing, setting out the terms and conditions governing the appointment and ancillary matters, as amended and supplemented from time to time.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for election by shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and making recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the Chairman and the Chief Executive Officer.

## (9) Board Meetings and Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to relevant Board or Board Committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Apart from the regular Board meetings, the Chairman also held a meeting on August 30, 2023 with all independent non-executive Directors without the presence of executive Directors.

For the year ended December 31, 2023, 4 Board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

| Directors | Attended/ Eligible to attend |
|---|---|
| Dr. Fang Yixin *(Chairman, Executive Director and Chief Executive Officer)* | 4/4 |
| Dr. Mei Hong *(Executive Director)* | 4/4 |
| Mr. Fang Haoze *(Executive Director)* | 4/4 |
| Ms. Lin Xiaoying *(Executive Director)* | 4/4 |
| Dr. Wang Yong *(Independent Non-executive Director)* | 4/4 |
| Ms. Wong Sze Wing *(Independent Non-executive Director)* | 4/4 |
| Mr. Jiang Peixing *(Independent Non-executive Director)* | 4/4 |

## (10) Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the year ended December 31, 2023.

### (11) Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

### (12) Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of Directors and has delegated the corporate governance duties to the Audit Committee which include:

a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Group; and

e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

## 3. BOARD COMMITTEES

### (1) Nomination Committee

As at the date of this report, the Nomination Committee currently comprises three members, namely Dr. Fang Yixin (chairman and an executive Director), Dr. Wang Yong (an independent non-executive Director) and Mr. Jiang Peixing (an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Dr. Fang is the chairman of this committee.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To identify suitable candidates for appointment or re-appointment as Directors for the Board;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors;
- To assess the independence of independent non-executive Directors; and
- To regularly review and report to the Board on the performance and suitability of the senior management and make recommendations to the Board on the re-appointment or replacement of any senior management.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

One meeting of the Nomination Committee was held for the year ended December 31, 2023 and the attendance record of the Nomination Committee members is set out in the table below:

| Directors | Attended/ Eligible to attend |
|---|---|
| Dr. Fang Yixin *(Chairman)* | 1/1 |
| Dr. Wang Yong | 1/1 |
| Mr. Jiang Peixing | 1/1 |

For the year ended December 31, 2023, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the independent non-executive Director and fulfilled duties as required aforesaid.

### (2) Nomination Policy

The Board has adopted the following policy with regard to nomination of Directors.

#### 1 Objective

1.1 The Nomination Committee is committed to ensuring the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and shall identify, consider and nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election or re-election as the Directors at general meetings or appoint as Directors to fill casual vacancies or as an addition to the Board.

1.2 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

1.3 The Nomination Committee shall make recommendations to the Board on the succession planning for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.

#### 2 Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

- Reputation for integrity;
- Accomplishment and experience;
- Commitment in respect of available time and relevant interest;
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- In the case of independent non-executive Directors, the independence of the candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.2 Subject to the provisions of the Articles of Association, retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

2.4 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

**3 Nomination Procedures**

3.1 The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

3.2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

3.5 A shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4 **Confidentiality**

4.1 Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to shareholders, as the case may be, is issued. Following the issue of the circular, the Nomination Committee or Company Secretary or other staff member of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

5 **Monitoring and Reporting**

The Nomination Committee will report annually a summary of the nomination policy including the nomination procedures, criteria for selection, the diversity policy and the progress made towards achieving these objectives in the Company's corporate governance report.

6 **Review of the Policy**

The Nomination Committee will review the nomination policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

### (3) Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, namely Mr. Jiang Peixing (an independent non-executive Director), Dr. Mei (an executive Director) and Ms. Wong Sze Wing (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Jiang Peixing is the chairman of this committee.

The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) under Appendix C1 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The principal duties of the Remuneration Committee include making recommendations to the Board on and approving the Company's remuneration policy and structure and the remuneration packages of the executive Directors and the senior management of the Company. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. It also makes recommendation to the Board on the remuneration of non-executive Directors including independent non-executive Directors.

Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

One meeting of the Remuneration Committee was held for the year ended December 31, 2023 and the attendance record of the Remuneration Committee members is set out in the table below:

| Directors | Attended/ Eligible to attend |
|---|---|
| Mr. Jiang Peixing *(Chairman)* | 1/1 |
| Ms. Wong Sze Wing | 1/1 |
| Dr. Mei Hong | 1/1 |

For the year ended December 31, 2023, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the remuneration (excluding accounted remuneration under share option scheme) by band of the members of the senior management of the Company for the year ended December 31, 2023 are set out below:

| Remuneration band (HK$) | Number of individual |
|---|---|
| 1,000,000 and below | 3 |
| 1,000,000 – 1,500,000 | 1 |

## (4) Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Ms. Wong Sze Wing (an independent non-executive Director), Mr. Jiang Peixing (an independent non-executive Director) and Dr. Wang Yong (an independent non-executive Director), all of whom are independent non-executive Directors. Ms. Wong Sze Wing is the chairlady of this committee. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, risk management and internal control and financial reporting functions, on an annual basis;

- To review the adequacy and effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries, and to undertake any related investigations; and

- To perform the Company's corporate governance functions with details set out in the paragraph headed "2. THE BOARD — (12) Corporate Governance Function" above.

Two meetings of the Audit Committee were held for the year ended December 31, 2023 and the attendance record of the Audit Committee members is set out in the table below:

| Directors | Attended/ Eligible to attend |
|---|---|
| Ms. Wong Sze Wing (Chairlady) | 2/2 |
| Dr. Wang Yong | 2/2 |
| Mr. Jiang Peixing | 2/2 |

For the year ended December 31, 2023, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the re-appointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the interim results for the six months ended June 30, 2023, the annual results of the Company and its subsidiaries for the year ended December 31, 2023 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. Their written terms of reference are available on the respective website of the Company and the Stock Exchange.

## 4. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2023 which give a true and fair view of the affairs of the Company and the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

As at December 31, 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 December 31, 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.

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

## 5. RISK MANAGEMENT AND INTERNAL CONTROL

Rici defines a risk as effects of uncertainties on the achievement of strategic, operating and governance objectives in the course of operation and development. Rici adopts comprehensive risk management and internal control structure to manage risks proactively. The structure is developed by the Board and the Audit Committee in order to assist the Board in monitoring risk management, designing and enhancing the effectiveness of relevant risk management and internal control systems.

Description of Major Risks, Risk Changes and Risk Control Measures of the Company:

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| 1 | Business Expansion and Standardization Risk | 1 There was insufficient support from head office for new expansions due to rapid expansion of the Company's business.<br><br>2 The lack of an adequate expansion system that promotes its control system and standard operating procedures resulted in the risks of deterioration of quality of the newly expanded business and incapability to meet corporate standards. | Unchanged | • Control over business expansion mechanism:<br>The Company optimized the mechanism and standard operating procedures for managing and controlling business expansion risks, and continuously improved the standard procedures within the Group to further reduce expansion risks; the Company regularly evaluated the internal business development plan and adjusted the development plan according to the macro environment and its own conditions; according to the needs for its business adjustment, it hired high-level professional consultants in a timely manner, and took careful and long-term consideration from the perspective of strategy, law and business, so as to improve the realistic returns and long-term layout of business expansion.<br><br>• Support for business expansion:<br>The Company expanded sales channels, increased efforts on online sales promotion, and further facilitated the development of new retail channels such as sales through livestreaming and sales with Internet celebrities, in order to increase brand awareness and exposure and expand brand influence. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| 2 | Competitor Risk | 1 Due to the low threshold for products/services of the Company, there was serious homogenization with products/services of competitors as well as the risk of how to develop irreproducible and competitive products/services (for example, medium and high-end customers).<br>2 How to integrate big data with health resources and establish a platform to respond to industry competition.<br>3 Competitors continuously expanded their business by relying on the advantages of large platforms to squeeze the Company's market share. | Unchanged | • Creating high-quality services for differentiated competition: The Company implemented the dual-brand strategy for the medical examination business, and provided high-end quality services for high-net-worth individuals to achieve differentiated competition; efforts were made to increase investment in customer services to improve service quality to offer high-quality services, and actively expand innovative businesses, laying the foundation for subsequent development. It focused on business activities beyond customer expectations, and overcame the trap of homogeneous competition.<br>• Facilitating product/service upgrades: It increased investment in mining and analysis of existing health data, and provided forward-looking services such as health warnings; a special team was set up to strengthen back-end health services for medical examinations and facilitate service upgrades; the Company continuously made innovation with the assistance of biotechnology.<br>• Increasing market share through product development and market penetration: Leveraging the reputation and trademark of existing products, we attract users to purchase new product portfolios and enhance the consumer experience; the medical examination market is still a market with growing potential. The Company will continue to tap into the resources of the cities with existing business presence to explore the market potential in depth and broaden its business coverage. |
| 3 | Investment Risk | Unscientific investment decision-making procedures and insufficient investment assessment resulted in the outweighing of investment scale over its affordability or inadequate returns on investment. | Unchanged | • Based on the revision and improvement of internal documents such as investment management measures, the Company optimized the investment model, enhanced investment forecast, and continued to strictly control investment approval, project budget, project management, post-investment evaluation, etc.;<br>• The investment decision-making evaluation indicators were further improved to conduct performance appraisals on the management. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| 4 | Informatization Construction Risk | The IT construction and planning failed to meet future operation and development needs of the Company, which restricted the Company's development and affected the realization of its strategic objectives. | Unchanged | • Further investment was increased in informatization construction:<br><br>First, it invested in mobile client development to improve mobile terminal functionality, stability and user experience;<br><br>Second, it increased investment in big data in healthcare and used data mining technology to develop forward-looking products and services to provide better services to customers;<br><br>Third, the Company continuously increased investment in IT, streamlined business scenarios and integrated business data to effectively support financial and operational analysis;<br><br>Fourth, it strengthened the research on the impact of and increased investment in artificial intelligence, healthcare services and 5G on medical devices to develop new systems and functions to meet the data needs of existing network equipment;<br><br>Fifth, a data maintenance team was established, with increased investment in data security and network security, especially the management of customers' sensitive information; Systems were in place to realise information stratification and permission control, which effectively protects customer data and information security. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| | | | | • The Company continuously optimized the introduced CRM system modules, set up a sales business model based on sales margins, and incorporated cost considerations into sales commission calculations, to further enhance the corporate efficiency, to more accurately reflect the contribution of individual sales contracts to the Company's profitability and to improve the quality of business and sales management; it integrated and upgraded the existing medical information system, and improved work efficiency through information interconnection, so as to provide customers with more convenient services; the Company embeds the relevant indicators of healthcare quality management into the system to further enhance the efficiency of post-examination quality control. It co-ordinates, plans and implements new information system development technologies, to gradually optimise and enhance the synergy among existing systems. Besides, it implemented paperless reform projects to optimize customer experience, improve the efficiency of medical examinations, and enhance the quality of medical services, in a bid to meet the needs of improving field services, and support the building of mid-to-high-end medical brands.<br><br>• Focus fell on internal potential tapping. An effective communication mechanism was established to strengthen the organic connection between the information department and various functional departments, enabling timely communication, circulation and resolution. The timeliness and effectiveness of information feedback and resolution were incorporated into the assessment of each department. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| 5 | Human Resources Risk | 1 The structure/quality of staff cannot meet the needs of the Company's current development, as evidenced by the failure to adjust staff structure, alter the appraisal system and update the training content to satisfy the needs of the Company's current development, or the failure to acquire talents (through internal training or external recruitment) that satisfy the needs of the Company's current development, which led to the slowdown of the overall development of the Company, the failure to complete the expected strategic plan and the gradual loss of industry position.<br><br>2 The high employee turnover rate may lead to a rise in its operating costs, leakage of commercial confidentiality and vacancies in key positions, and may harm the overall corporate image. | Unchanged | • Talent introduction and employee recruitment:<br>Efforts were stepped up on the establishment of a diversified recruitment channel system and the management of recruitment channels, especially the recruitment channel for medical talents closely linked to the Group's business; a scientific channel supplier evaluation and management system has been set up to ensure that business development meets the demand for talents; High-level management talents and technical talents were introduced when appropriate to inject fresh blood into the Company and enhance its vitality; cooperation with external resources enables the Company to build and cultivate its own expert team, core team and reserve force; With the help of the large platform in the fields of medical treatment, teaching and scientific research of Medical School of Nantong University, the Company further improved medical education, discipline construction, business technology, talent quality, management level and service quality.<br><br>• Employee training:<br>The Company enhanced the training and education for administrators and other medical professionals (including physicians, nurses and pharmacists) to improve their occupational skills and administration quality so as to provide customers and patients with better services; It strove to establish a learning organization and improve its internal communication platform, in order to facilitate information transmission, experience sharing, daily training, etc., accelerate the growth of employees, enhance its vitality, and boost the core competitiveness.<br><br>• Incentive mechanism:<br>The Company provided competitive remuneration and benefits, and strengthened the sense of belonging of employees, encouraged employees to increase efficiency, and provided different promotion opportunities based on their performance.<br><br>• Internal communication mechanism:<br>Attention was paid to the communication between the HR department and the management and among various business departments to strengthen the forward looking, foresight and whole-region vision of the HR department.<br><br>• Establishment of corporate culture system:<br>Starting from corporate values, cultural outlook, vision and mission, the Company gradually perfected its culture system, strengthened corporate culture, enhanced humanistic care and enhanced the cohesiveness of corporate culture. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| 6 | Capital Management Risk | 1 The existence of unauthorized transactions regarding capital operation affected the safety and integrity of the Company's capital.<br><br>2 Unreasonable fund positions, inappropriate capital commitment or capital backlogs disenabled the Company to leverage the advantages of centralized capital management, which resulted in a decrease in profitability of the Company or insufficient capital and payment difficulties, thereby affecting the reputation of the Company or damaging its interests. | Decreased | • Continuous improvement of the fund management mechanism:<br>In practice, it further optimized the fund management system and sorted out standard procedures within the Group to improve accounting information service capabilities, capital resource utilisation efficiency, and financial risk management and control capabilities. The separation mechanism of review permissions and responsibilities for capital business was further optimized to ensure the safety and integrity of funds. It developed plans for funds and performed unified management of the funds of each subsidiary, and the management regularly monitored, analyzed, forecast and tracked the funds via the weekly reporting mechanism; The authorization and review of intra-group fund allocation were standardized.<br><br>• Strengthening centralized management of funds:<br>Through the financial sharing center, the Company adopted the management model of the centralized payment of funds, implemented dual management for revenue and expenses, and established the Group's fund pool, based on which payment was collectively made via the sharing center according to fund plans to improve the scientificity of financial fund management. The financial status of the Group was objectively analyzed in a scientific manner to improve the safety of the Group's funds and enhance the allocation and control of capital resources; It optimized the use efficiency of accumulated funds and strategically adjusted the pace of operations to reasonably control cash flows. |
| 7 | Medical Dispute Risk | The Company was exposed to inherent risks of medical disputes and legal proceedings against the Company arising from its operations, which may incur huge costs and have material adverse impact on its business operations and reputation. | Unchanged | • Risk aversion:<br>According to laws, regulations and industry rules, the Company formulated standard operating procedures for business workflow and enhanced the training, education and supervision of current medical staff (including physicians, nurses and pharmacists), in order to reduce the possible risks of medical disputes between the Company and customers due to the failure to strictly comply with internal control procedures. The internal information transmission channels were optimized to ensure smooth information transmission. It improved internal information transmission channels to ensure the smooth transmission of information. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| | | | | • Risk response:<br>The Company perfected the customer complaint management system to give effective, rapid and continuous feedback to customers in the early stage, in a bid to improve customer satisfaction and reduce the possibility of disputes; It strengthened the ability of internal departments to deal with medical disputes, enabling them to effectively take follow-up actions for any disputes and protect the Company's interests to the greatest extent. It analyzed the causes and held those responsible accountable after the occurrence of disputes, hoping to seek improvements in future operations.<br><br>• Establishment of crisis public relations mechanism and maintenance of reputation:<br>First, the Company established a crisis public relations management mechanism to prevent the further escalation of risks; If necessary, it would team up with external public relations companies to communicate its products, services, values and other information to the public in a positive image, with a view to raising its awareness and public trust, and also to protecting its reputation, brand image and word of mouth to the greatest extent during special times; Second, the Company formulated emergency planning measures and established a crisis response team to ensure timely and effective crisis notification and crisis management to minimize the impact and loss. |
| 8 | Control and Compliance Risk | The defective standard operating procedures of the Company and the failure of operation staff to strictly meet the operation requirements led to the failure of businesses conducted in accordance with the workflow, which affected the operation effects of the Company and hindered the completion of transition from the "rule of man" to "rule of law". | Unchanged | • Control over legality, compliance and integrity:<br>The Company continuously improved the standard operation manual for medical-related business, clarified the standards for each business step, and strictly checked the qualifications of relevant staff; It set up a sound compliance system, sorted out compliance risks and formulated non-compliance incident plans to determine follow-up routines, corresponding responsible persons and reward and punishment measures, and regularly conducted inspections in the fields of medical care and health and safety; A special functional department was established to responsible for collecting laws, regulations and industry standards, formulating standard operating procedures for each business, and regularly training and overseeing operators; It released norms to standardize the wording of advertising content and guide to the interpretation of laws and regulations, and optimized the publishing process of advertising files, in order to effectively prevent advertising violations; Actions were taken to revise and perfect relevant systems and operation norms such as procurement management and asset management, and to continuously optimize management processes to adapt to corporate development and reduce management risks. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| | | | | • Control over execution procedures: With the strengthening of execution, the Company promoted fine management and fine operation to constantly improve its management level; The supervision department shall strictly execute the supervision procedures in accordance with the relevant systems to ensure the complete and effective implementation of the systems; The department for system formulation collected the implementation situation in a timely manner, and adjusted and perfected systems according to the feedback. |
| 9 | License Management Risk | The Company conducts business in a strictly regulated industry. If the Company fails to obtain or renew any licenses, permits, approvals and certificates required for its operations, or is found to be non-compliant with applicable laws or regulations for such licenses, permits, approvals and certificates, the Company may face penalties, suspension of operations or even revocation of such licenses, depending on the results of incidents. The operating results of the Company could be materially and adversely affected. | Unchanged | • The Company enhanced the awareness of operating and maintaining licenses in accordance with the law, with efforts stepped up on the training of license safety awareness for important positions in important departments. It understood and complied with relevant laws and regulations to avoid touching red lines in laws, and created its normalized training system.<br>• The license management system was perfected to clarify the norms and management responsibilities of borrowing, returning and logout; A license database was established to conduct unified electronic management of licenses in various institutions, and a special review and examination mechanism for licenses was also established to enhance the control over the integrity and effectiveness of licenses.<br>• Combining with the management of licenses, the Company further optimized the management system of seals to strengthen the management of various seals, standardized behaviors with systems, and increased efforts on monitoring and management.<br>• Efforts were stepped up on risk prediction and remedial measures to minimize risks, reduce hazards, and restore use when risks occur. |

| No. | Major Risks | Main Risk Description | Changes Since 2023 | Major Monitoring Measures and Risk Control Strategies |
|---|---|---|---|---|
| 10 | Litigation Risk | 1 Due to possible fraud and other irregularities, the Company may be subject to legal sanctions, regulatory penalties or material financial loss or reputation loss.<br><br>2 The ineffective execution of various contracts, commitments and other legal documents signed by the Company led to litigation and actual operating losses. | Unchanged | • Anti-fraud:<br>The anti-fraud system was optimized to enhance anti-fraud awareness; Leveraging the role and potential of the legal department, the Company intervened in matters such as significant influences or transactions at an early stage, took fraud prevention measures, and finally conducted evaluation and assessment; A mailbox, a hotline and other channels are available to encourage employees to report any fraudulent acts.<br><br>• Management and execution of contracts:<br>The Company managed the signing of contracts. Prior to contract signings, relevant departments were required to conduct preliminary demonstrations and checks. Risk management and control measures were taken as early as possible to avoid potential legal disputes; It strove to improve the timeliness and integrity of contract execution, and responded to legal proceedings caused by human factors and sought and implemented remedies in a timely manner; The causes shall be analyzed and those responsible shall be held accountable in a timely manner as a warning to others; For potential legal risks, the evaluation mechanism shall be optimized, and the legal department shall join hands with the financial department, the HR department and other departments to conduct assessment and prevent the risks. It shall account for pending litigation on a regular basis based on the facts. |

The Company has set up an internal audit department that is responsible for conducting audit for the Company and its subsidiaries. Such duties of the department are with the aim of ensuring the normal operation of internal monitoring and its due effectiveness. The Company attached full importance to the suggestions made by external auditors that reported to the Company their findings regarding the deficiencies and inadequacies of the internal control and accounting procedures of the Group and made respective improvements. The internal audit department directly reports to the Audit Committee on all audit matters.

The internal control system of the Company was established in accordance with the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Meanwhile, the Company conducted an independent audit (including interviews, walk-through tests and risk-based sampling tests) during the year ended December 31, 2023 on the business segments that had material impacts on its strategies and internal control and monitoring, and prepared the internal control and monitoring report submitted for the approval of the Audit Committee and the Board. During the year ended December 31, 2023, under the assistance of the Audit Committee and taking into consideration of the confirmation of the review on the effectiveness of the risk management and internal control systems conducted by the management and the Audit Committee and the assessment results of controls, the Board confirmed that the risk management and internal control systems of the Company were adequate and effective.

### Inside Information

The legal affairs center of the Company is responsible for establishing standards to assess and identify inside information pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provisions in relation to inside information under Part XIVA of the Securities and Futures Ordinance, communicating to all relevant staff on the policies of inside information reporting and disclosure, providing related training and disclosing inside information in a timely manner in accordance with the requirements set out in the Securities and Futures Ordinance and the Listing Rules.

## 6. AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2023 payable to the external auditors were approximately RMB1.15 million. The Group incurred approximately RMB0.57 million in 2023 for non-audit services related to the provision of consultation services in respect to internal control systems pursuant to the CG Code and tax planning, etc.

## 7. COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

During the year ended December 31, 2023, Mr. Chen Kun, a practicing solicitor in Hong Kong, served as the company secretary of the Company. His primary contact at the Company is Ms. Gao Min, general manager of the Department of Securities and Investment of the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Chen Kun undertook not less than 15 hours of relevant professional training during the year ended December 31, 2023.

## 8. GENERAL MEETING

For the year ended December 31, 2023, one general meeting of the Company, being the annual general meeting of the Company held on June 19, 2023, was held. The attendance record of the Directors is set out in the table below:

| Directors | Attended/ Eligible to attend |
|---|---|
| Dr. Fang Yixin *(Chairman, Executive Director and Chief Executive Officer)* | 1/1 |
| Dr. Mei Hong *(Executive Director)* | 1/1 |
| Mr. Fang Haoze *(Executive Director)* | 1/1 |
| Ms. Lin Xiaoying *(Executive Director)* | 1/1 |
| Dr. Wang Yong *(Independent Non-executive Director)* | 1/1 |
| Ms. Wong Sze Wing *(Independent Non-executive Director)* | 1/1 |
| Mr. Jiang Peixing *(Independent Non-executive Director)* | 1/1 |

## 9. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Board and the chairmen/chairlady of the Board Committees will attend the AGM to answer Shareholders' questions. The external auditors of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at http://www.rich-healthcare.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness. During the year ended December 31, 2023, upon considering the abovementioned factors, the Board considered that the current Shareholders' communication policy is effective.

## 10. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

### (1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 17.3 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### (2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 17.3 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 17.3 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

### (3) Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 17/F, Qiantan International Plaza, No. 90 Qirong Road, Pudong New District, Shanghai, PRC
Attention: Board of Directors Office
Tel: 021–68865787

Enquiries will be dealt with in a timely and informative manner.

## 11. CHANGE IN CONSTITUTIONAL DOCUMENTS

The Board of the Company proposed to adopt a new amended and restated Memorandum and Articles of Association (the "**Second Amended and Restated Memorandum and Articles of Association**") to reflect and align with the new requirements under the amended Appendix A1 to the Listing Rules which have come into effect on 1 January 2022 and to make some other housekeeping. The Second Amended and Restated Memorandum and Articles of Association was approved on 19 June 2023.

Apart from above, no changes were made to the Articles of Association during the year ended December 31, 2023.

# Environmental, Social and Governance Report

## About this Report

This Report is an annual report that elaborates on the Company's environmental, social, and governance (ESG) efforts and contributions. Rici Healthcare Holdings Limited hopes to increase communication and contact with various stakeholders through the release of this Report.

For ease of presentation and reading, "Rici Healthcare Holdings Limited" is referred to in this Report as "Rici", the "Group", the "Company", "we", or "us".

### Reporting period:

January 1, 2023 to December 31, 2023.

### Reporting scope:

This Report covers the performance and measures of the Company's headquarters, the General Hospital segment (Nantong Rich Hospital), and the Medical Examination segment (including 72 medical examination centers in operation). The qualitative and quantitative information disclosed in this Report covers the Group and its 105 subsidiaries.

### Reporting principles:

This Report is prepared with reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix C2 to the Listing Rules published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and in accordance with the four reporting principles of materiality, quantitative, balance and consistency, as well as the "comply or explain" provisions contained in the said Guide.

**Access to this Report:**

This Report is published in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese one shall prevail. This Report can be downloaded from the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's official website (https://www.rich-healthcare.com/).

**OUR MISSION, VISION AND VALUES – TO BE A BETTER COMPANY**

**RICI HEALTHCARE**


## Board Statement

After being dedicated to the healthcare industry for more than 20 years, the Group has formed a mega healthcare industry chain consisting of the general hospital, medical examination, and elderly care & rehabilitation, among other segments, aiming to provide health services to meet health needs throughout the whole life cycle of humans. The Board of Directors undertakes that the Company will strictly comply with the disclosure requirements of the Listing Rules and the Environmental, Social and Governance Reporting Guide. The Board of Directors and all Directors of the Company hereby warrant that this Report is free of any false statements, misleading statements, or material omissions, and bear individual and joint responsibility for the authenticity, accuracy, and integrity of this Report.

## ESG Philosophy

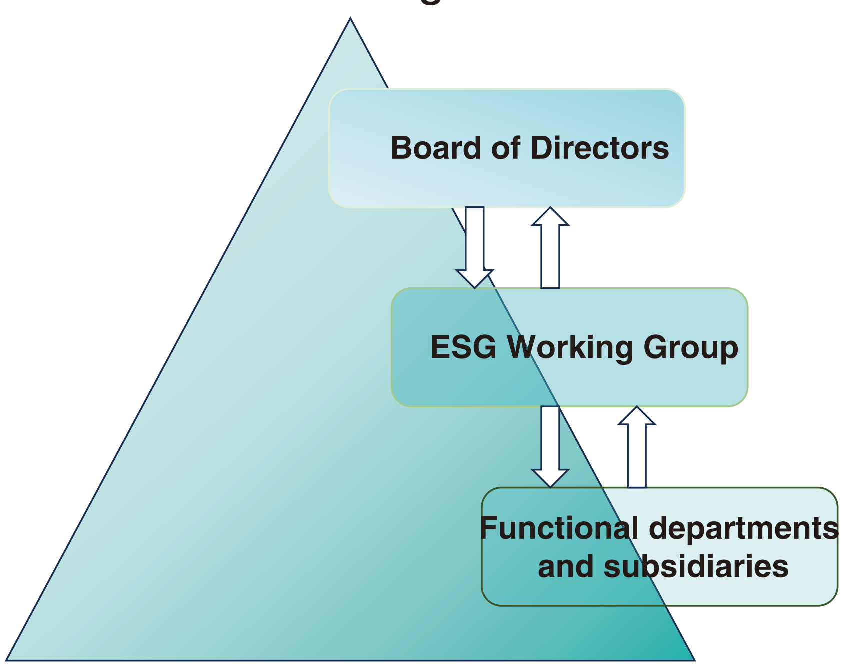
Since 2016, the Group has published ESG reports for eight consecutive years. With the deepening of our understanding of the ESG concept, we have established an internal sustainability system, optimized our ESG management process, and strengthened our communication with various stakeholders, including employees, customers, shareholders and suppliers, to step up our presence in the healthcare industry. We uphold the philosophy that “one taking from society should give back to it”. Combining the concept of sustainable development with its business strategy, we constantly explore new initiatives in such key aspects as healthcare services, customer privacy, employee welfare, environmental protection and green supply chain, as efforts to become a responsible corporate citizen, which is not only a manifestation of fulfilling corporate social responsibility (CSR), but also a way to enhance the sustainability competitiveness, optimise internal management and reduce operational risks.

## ESG Management Framework

With the ESG working group (the “Working Group”) under the Board, Rici has set up a three-tiered structure from the top to the bottom, with each of them taking up their respective roles and responsibilities to push forward the ESG work for the year.

The ESG working group delegates tasks to the Company’s functional departments and subsidiaries for implementation, while collecting and evaluating various data and performance of ESG governance across the Company and reporting to the Board on a regular basis. The Board, which is regularly briefed by the Working Group, oversaw all ESG issues, such as the strategy, management approach and process for identifying material issues for the year, while discussing and altering the strategy and management style to ensure that the issues ultimately identified are of practical relevance and importance to the Group’s business, and guarantee the efficient operation of ESG governance.

ESG Management Framework



## Stakeholder Engagement

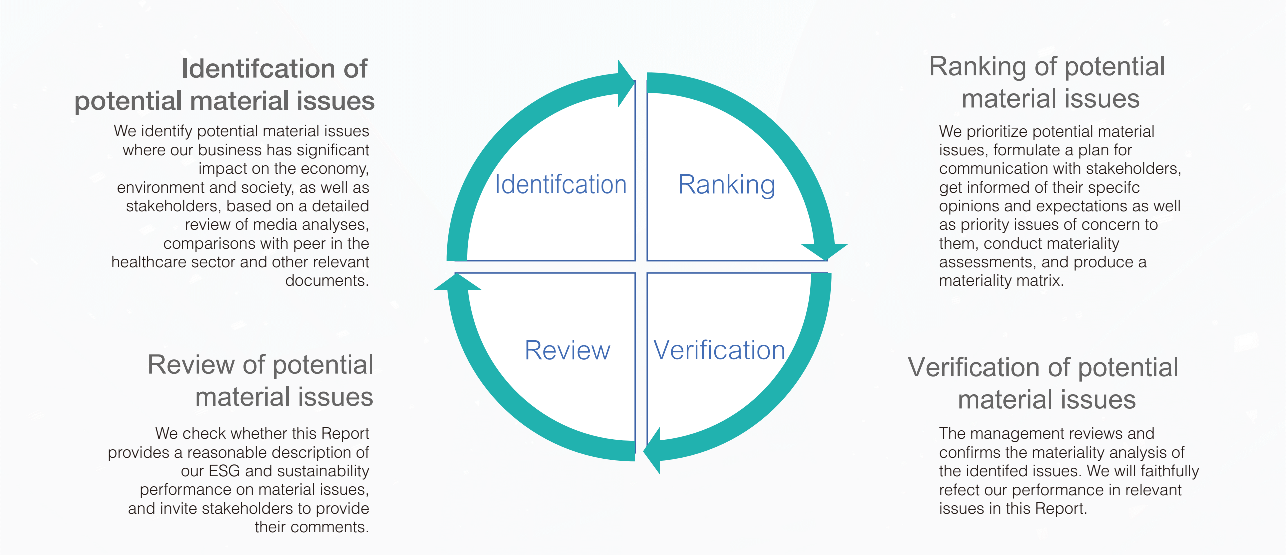
Directly related to the Group's sustainable development, stakeholders play a pivotal role in the Group's decision-making process. Based on our actual business conditions and operational characteristics, we have identified a wide range of key stakeholders such as government and regulatory authorities, shareholders and investors, customers, suppliers, employees, and the public. By establishing a long-standing communication mechanism with stakeholder representatives, the Group could be promptly informed of the views and expectations of each stakeholder and makes adjustments to its ESG plans and their implementation to meet the expectations of stakeholders.

The following table sets out the key issues of concern to different stakeholders during the reporting period.

| Key stakeholders | Communication channels | Stakeholder expectations |
|---|---|---|
| Government agencies | PR department | Compliant operation |
| | Collection of policy documents | Job creation |
| | Offering advice and suggestions | Industry pioneer |
| Shareholders and investors | General meetings | Corporate profit, corporate governance |
| | Reports of the Company and channels for information disclosure | Compliant operation, risk controllability |
| Customers | Reports of the Company, Website of the Company | Quality services |
| | Customer hotline and email, questionnaires | Privacy security |
| | Offline activities | Business ethics |
| Suppliers and partners | Meetings, onsite inspections | Long-term cooperation, integrity operations |
| | Remote videos and teleconferences | Business ethics, information disclosure |
| Employees | Meetings, employee training | Employee rights and interests, compensation and welfare |
| | Staff appraisal, suggestion box | Training and promotion, working environment |
| | Social software | Occupational safety |
| Community and the public | Community services, Company announcements | Community charity |
| | Media release | Environmental protection |

## Overview of significant environmental, social and governance areas

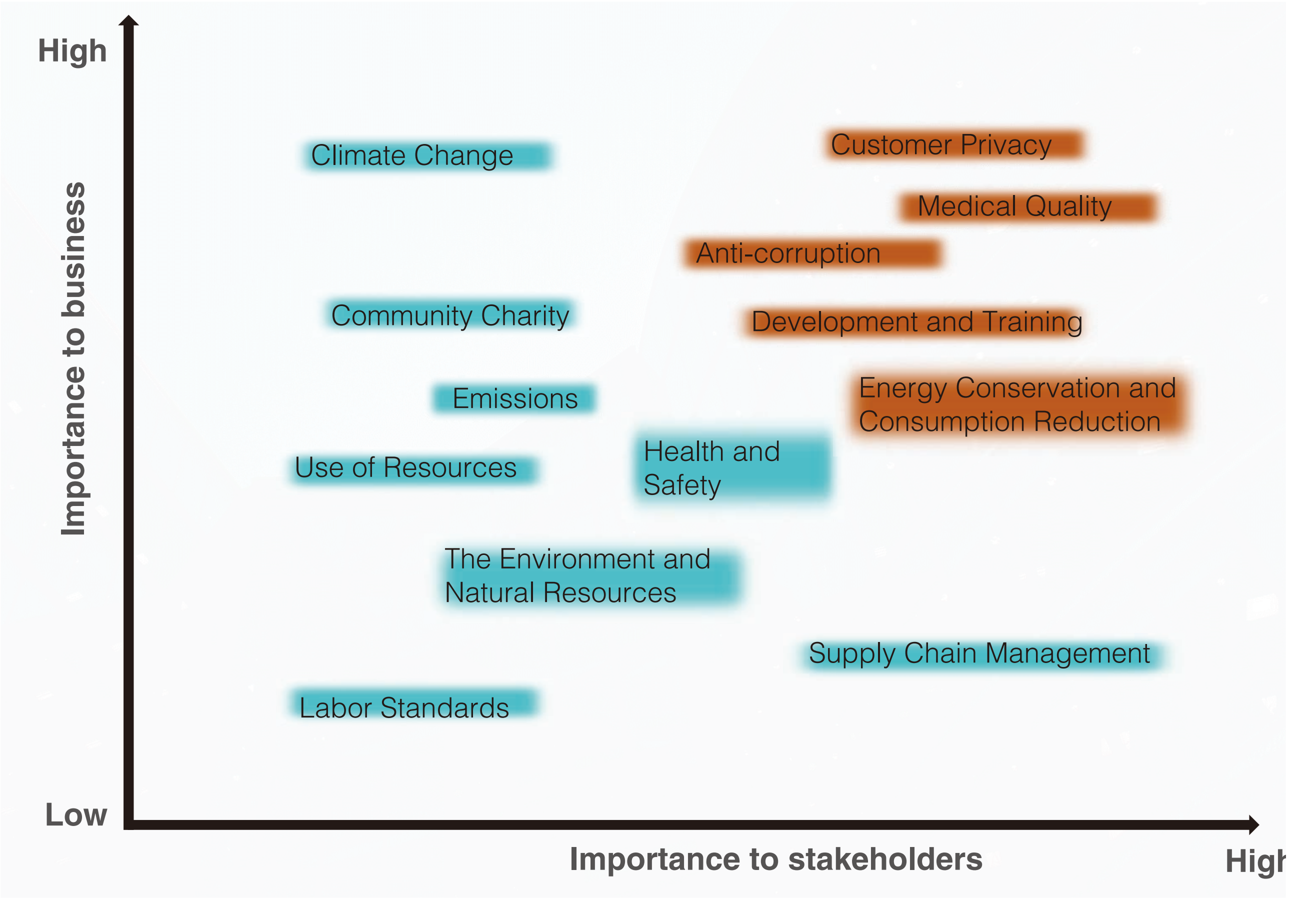
### Identification of Material Issues




The Company proactively took the views and suggestions of stakeholders, had two-way multi-round communication, and combined their views and expectations with ESG governance and development needs to form a positive interaction. The Group conducted a materiality assessment on ESG issues of concern to shareholders through a rigorous and effective process by drawing on the advice of third-party analysts, investors and the media, in order to respond to stakeholders' concerns in a proactive and targeted manner.

### Materiality Matrix

Through the above identification process, we prioritized ESG issues according to their importance to the business and to stakeholders, respectively, and communicated with various stakeholders in a timely manner to obtain the views and expectations of key stakeholder representatives on ESG issues. We found that stakeholders became more concerned about climate change and energy conservation and consumption reduction than they did in 2022. In addition, quality of healthcare, customer privacy, employee development and training, and anti-corruption have always been key areas of concern. This Report is a detailed disclosure made with reference to the materiality matrix.



# A Environmental

Environmental protection is a prerequisite for sustainable development. The Group integrates the concept of environmental protection into its internal management and day-to-day business activities, and pays close attention to the impact of its business operations on the environment. The Group strictly complies with relevant laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China, and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China, in order to ensure that the pollutants are effectively disposed of and discharged according to standards. It fulfills its corporate social responsibilities in earnest. During the reporting period, there were no fines or legal proceedings resulting from any environmental violations.

The Group, on the aspect of its organizational structure, established its environmental management system which has gradually formed a top-down management mechanism covering the Board and each business segment, so that every employee on each level has its own responsibility for the implementation of environmental protection work. Each segment is staffed with specialists being responsible for the management and execution of environmental protection. In 2023, the Company took a series of initiatives to protect the environment and prevent pollution, including actively reducing the consumption of various resources, increasing the recycling rate of resources, as efforts to reduce the emission/discharge of various pollutants such as air emissions and solid waste, continuously improve the office environment, vigorously promoting the concept of green office and low-carbon mobility, and enhance internal capabilities for environmental management.

The Group has established a special organisation and system internally to supervise the environmental management. All subsidiaries and branches have promptly been registered upon pollutant discharge with local environmental management authorities in accordance with the environmental laws and regulations for admitting themselves into the scope of regulation of the local environmental agencies. We and our subordinate units conduct environmental monitoring on a regular basis. All subsidiaries passed related tests during the reporting period.

## A1 Emissions

The Group strictly complies with all national and local standards on emission control, discharges into surface and groundwater, and noise control. In order to reduce pollution to the environment, the Group has actively implemented air pollutant control plans, plans to save electricity, water and fuel, and plans to save office consumables, synchronized planning for environmental protection and business development, and raised employees' awareness of environmental protection, so as to reduce the generation of air pollutants, greenhouse gas emissions and wastes at source. In addition, we inject more resources into the utilization of waste materials to boost the development of a circular economy.

## A1.1 Air and Greenhouse Gases (GHG)

Given the characteristics of the industry where the Group operates business, its air and direct GHG emissions are mainly from vehicles used by the Group, while indirect GHG emissions mainly come from the consumption of electricity.

***GHG Emissions***

Statistics on the Group's GHG emissions are as follows

| GHG emissions | Unit | 2023 | 2022 |
|---|---|---|---|
| Direct GHG emissions (Scope 1)[1] | $MTCO_2e$ | 260.65 | 366.16 |
| Indirect GHG emissions (Scope 2)[2] | $MTCO_2e$ | 21,773.78 | 19,114.52 |
| Total emissions (Scope 1 and 2) | $MTCO_2e$ | 22,034.43 | 19,480.68 |

Note 1: According to the ESG Reporting Guide set out in Appendix C2 to the Main Board Listing Rules, the formula of GHG emissions from mobile combustion sources (for road, air, and water transport) in carbon dioxide equivalents ($CO_2e$) is that GHG emissions in $CO_2e$ (E)=A×EF, in which E=Emissions, A=Amount of fuel consumed, and EF=Emission Factor of $CO_2$. The emission factor of diesel is 2.614, and that of unleaded petrol is 2.36. The unit of emission factor is kg/L.

Note 2: Calculated on the basis of the average carbon emission factor of 0.5703t $CO_2$/MWh for the national power grid, which was taken from the Notice on Reporting and Verifying Greenhouse Gas Emissions of Enterprises in Some Key Industries in 2023–2025 (Wen Hao Huan Ban [2023] No. 332) published by the Office of the Ministry of Ecology and Environment on October 18, 2023.

Compared with the previous reporting period which was affected by the COVID-19 pandemic, the Group has gradually resumed its normal business activities and therefore the GHG emissions increased slightly during the reporting period.

***Air Emissions***

Statistics on the Group's air emissions are as follows:

| Types of emissions | Unit | 2023 | 2022 |
|---|---|---|---|
| Nitrogen oxide | Kg | 320.31 | 461.19 |
| Sulfur oxide | Kg | 2.14 | 42.87 |
| Particulate matter | Kg | 30.52 | 50.21 |

As a result of the energy conservation measures taken by the Group during the reporting period, the total air emissions were on a downward trend.

### A1.2 Waste

***Hazardous Waste***

As the Group is engaged in the healthcare services industry, the hazardous waste generated from the operation of services is mainly medical waste and medical wastewater. Medical waste is sorted out and managed in accordance with the Catalogue of Medical Waste Classification. Medical waste is separately placed in packages or containers that comply with the Provisions on the Standards and Warnings for Packages and Containers Exclusively for Medical Waste, and handed over to professional recyclers with qualifications and capabilities recognized by the relevant government authorities for centralized treatment.

In accordance with relevant laws and regulations like the State Council's Regulations on the Management of Medical Waste and the Ministry of Health's Measures for the Management of Medical Waste in Medical and Healthcare Institutions, the Group formulated the Solid Waste Treatment and Disposal System of Rici, and organized regular training on the management of medical waste, so as to enable its employees to fully recognize the importance of the proper disposal of hazardous wastes to the protection of the environment, and to guide them to minimize the generation of hazardous wastes in their daily work.

Statistics of the Group's hazardous waste are as follows:

| Segments | Unit | 2023 | 2022 |
|---|---|---|---|
| General Hospital segment | Kg | 217.70 | 242.00 |
| Medical Examination segment | Kg | 291.23 | 225.68 |
| Total | Kg | 508.93 | 467.68 |

***Non-hazardous Waste***

The Group strictly complies with relevant laws and regulations like the Environmental Protection Law of the People's Republic of China and the Measures for Management of Urban Domestic Waste, and has formulated the General Waste Management System of Rici. The non-hazardous wastes generated during operations are general waste and non-medical waste. We took measures for recycling of medical recyclables (such as plastic infusion bottles/bags) and non-medical recyclables (such as cardboard, etc.), which were then delivered to qualified and competent suppliers for recycling.

Statistics of the Group's non-hazardous waste are as follows:

| Segments | Type of non-hazardous waste | Unit | 2023 | 2022 |
|---|---|---|---|---|
| General Hospital segment | General waste | Ton | 28.05 | 62.52 |
| General Hospital segment | Non-medical waste | Ton | 2,978.93 | 3,066.00 |
| Medical Examination segment | Non-medical waste | Ton | — | 39.30 |
| Total | | Ton | 3,006.98 | 3,167.82 |

## A2 Use of Resources

The Group strictly complies with relevant laws and regulations, including the Water Law of the People's Republic of China, the Electric Power Law of the People's Republic of China, the Energy Law of the People's Republic of China, and the Energy Conservation Law of the People's Republic of China. During the reporting period, the Group was not involved in any irregularities relating to the utilization of resources, and no material issues relating to the utilization of resources that may have a significant impact on the Group's operations were identified.

The Group released the Measures for Management of Energy Conservation, Consumption Reduction and Environmental Health at Office of Rici. In the design of office environment and actual operation, the Group has always adhered to the requirements for protecting the environment under the laws and regulations, implemented the measures for energy conservation and emission reduction, and improved the recycling of resources. We review the implementation of environmental protection measures from time to time and evaluate the effectiveness of existing measures, so as to improve the efficiency of resource utilization and balance the relationship between business growth and environmental protection.

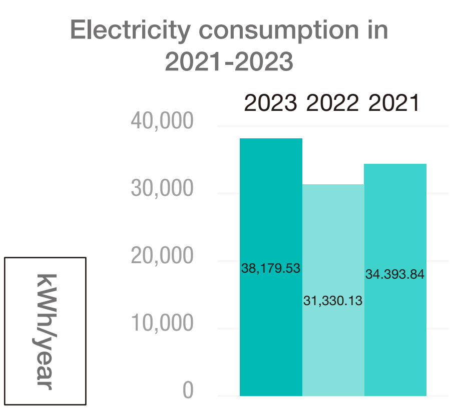
### A2.1 Use of Electricity

Electricity is a major resource in the daily operation of an enterprise. The Group has adopted a series of measures to conserve electricity and encouraged the active participation of its employees, in order to reduce the greenhouse gas emissions intensity. The major measures to save electricity are as follows:

- Turning off all unnecessary electricity-consuming equipment (such as computers, air conditioners and lights) during non-working hours;
- Using LED lamps and other energy-efficient lighting systems;
- Maintaining office temperature at 24 to 26 degrees Celsius;
- Posting signs at appropriate locations to raise employees' awareness of electricity conservation.

During the reporting period, the Group's electricity consumption per square metre of gross floor area fell from approximately 0.151 MWh in 2022 to approximately 0.108 MWh in 2023.

Electricity consumption is shown below:




In 2023, the Group consumed a total of 38,179.53 MWh of electricity, with the intensity of 0.108 MWh per square metre of gross floor area. The electricity consumption in the headquarters is 244.13 MWh, 15,867.02 MWh in the General Hospital segment, and 22,068.38 MWh in the Medical Examination segment.

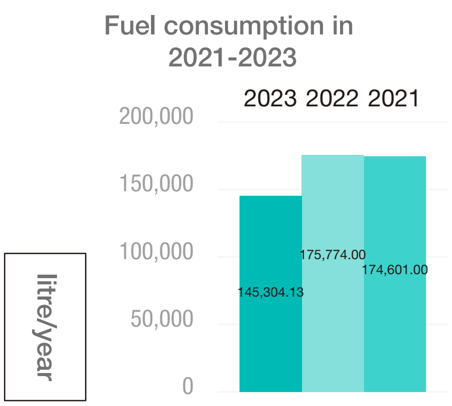
### A2.2 Use of Fuel

Fuel consumption mainly comes from the fuel consumed by the Company's vehicles. The Group, which practices green and low-carbon mobility, takes the following measures to save fuel:

- Performing regular maintenance of vehicles to ensure good performance of engines and efficient use of fuel;
- Making reasonable planning of driving routes to avoid duplication of routes;
- Encouraging employees to commute by public transportation; Providing commuting shuttle buses for hospital employees in order to reduce the use of private cars as much as possible;
- Asking the relevant persons to share personal cars in order to reduce fuel consumption whenever the use of private cars for business trips is required;
- Encouraging the use of communications systems to avoid unnecessary business trips;
- Setting up shared bicycle parking spots near office buildings to advocate green mobility among employees.

During the reporting period, the Group's fuel consumption per square metre of gross floor area dropped from approximately 0.846 litres per annum in 2022 to 0.411 litres per annum in 2023.

Fuel consumption is shown below:




In 2023, the Group consumed a total of 145,304.13 litres of fuel, with the intensity of 0.411 litres per square metre of gross floor area. The fuel consumption in the General Hospital segment is 4,740.60 litres, 108,306.80 litres in the General Hospital segment, and 32,256.73 litres in the Medical Examination segment.

**A2.3 Use of Water Resources**

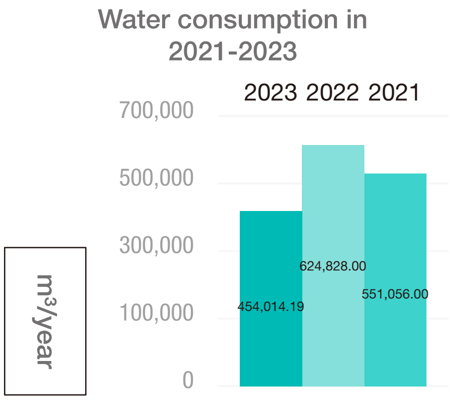
Due to the geographical location of the premises and the nature of the business, there was not any issue in sourcing water that is fit for purpose in the Group. The healthcare industry requires healthcare workers to wash their hands and clean their tools frequently to prevent the spread of diseases, and thus water consumption (especially the water consumption of the hospital segments) is required for medical needs, and infection prevention and control measures.

The Group implemented the following measures to conserve water and improve water use efficiency:

- Inspecting water supply facilities on a regular basis, checking whether the response to the shutting-down instruction is timely and whether there are faults, in order to prevent water leakage and eliminate water evaporation, emission, drip and leakage;
- Placing signs in pantries and washrooms to encourage staff to conserve water.

During the reporting period, the Group's water consumption per square metre of gross floor area dropped from 3 cubic metres in 2022 to 1.28 cubic metres in 2023.

Water consumption is shown below:




In 2023, the Group consumed a total of 454,014.19 cubic metres of water, with the intensity of 1.28 cubic metres per square metre of gross floor area. The water consumption in the headquarters is 372.00 cubic metres, 285,732.17 cubic metres in the General Hospital segment, and 167,910.02 cubic metres in the Medical Examination segment.

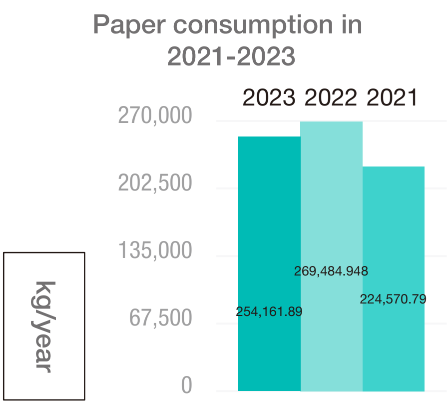
### A2.4 Paper Use

Although the Group promotes a paperless office and the consumption of paper resources remains unavoidable, it has always regarded the reduction of paper consumption as a sustainable development issue and has adopted the following measures to ensure the rational use of paper:

- Designating a person to be responsible for recording the usage amount for each printer;
- Encouraging employees to print on both sides of paper and carefully check the files to be printed to avoid duplicate printing;
- Encouraging the use of electronic information systems to store files, share data or handle internal administrative files;
- Encouraging the use of emails and instant messaging tools instead of paper documents for internal communication;
- Using electronic devices for marketing to replace paper-based promotional materials.

During the reporting period, the Group's paper consumption per square metre of gross floor area went down from 1.298 kilograms in 2022 to 0.719 kilograms in 2023.

Paper consumption is shown below:




In 2023, the Group consumed a total of 254,161.89 kg of paper, with the intensity of 0.719 kg per square metre of gross floor area. The paper consumption in the headquarters is 8,142.83 kg, 75,692.52 kg in the General Hospital segment, and 170,326.54 kg in the Medical Examination segment.

### A2.5 Use of Packaging Materials (Not Applicable)

Different from manufacturers, the Group (the headquarters, the General Hospital segment consisting of Nantong Rich Hospital, and the Medical Examination segment consisting of 72 medical examination centres in operation) does not engage in production. Given the nature of its business, the Group consumed no packaging materials.

### A3 The Environment and Natural Resources

Given the nature of its business, the Group believes that its operations have no significant impact on the environment and natural resources during the reporting period. We recognize that protecting the environment is critical to the society and the well-being of human beings. We use as many environmentally-friendly products and services as possible. In terms of internal management, the Company encourages its employees to work in an environmentally-friendly manner. Externally, the Group endeavors to convey the concept of environmental protection to its customers, suppliers and the public, and to raise the environmental awareness of its business partners, so as to jointly achieve the goal of sustainable development.

### A4 Climate Change

Currently, human beings are facing unprecedented pressure from the nature, global ecology and climate change. As a healthcare service provider, the Group has taken appropriate measures to cope with possible extreme weather conditions in the future although its principal business has not been directly affected by climate change. During the reporting period, we made extensive efforts to raise awareness of the hazards caused by natural disasters (high-temperature weather conditions, droughts, rainstorms, floods, super typhoons, forest fires, sea level rise, etc.) within the Group and beyond, actively assessed the climate-related operational risks for all business premises or offices, and worked out appropriate contingency measures to minimise the impact of extreme weather conditions on the Group's operations and improve resilience to climate change.

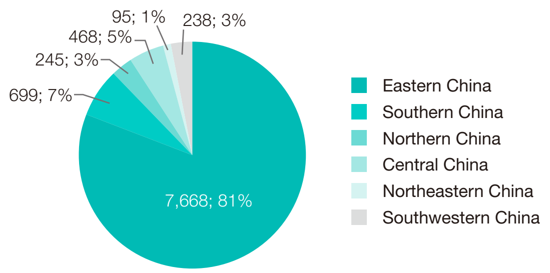
# B Social

## B1 Employment

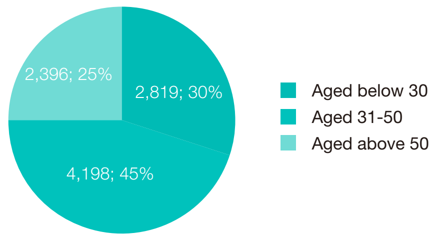
The Group recognizes that talents are the most valuable assets of an enterprise and the cornerstone of its development. It has always adhered to the principles of fairness, impartiality and openness in attracting and retaining talents. In recruiting employees, the Group strictly complies with relevant national laws and regulations and employment policies, and has formulated a series of policies, including the Management Rules for Talent Introduction of Rici, the Management Measures on Incentives for Internal Recommendation and the Employee Handbook. The Group selects talents that meet the requirements of the positions based on their skills, experience and specialties, and provides equal employment opportunities for people regardless of their nationalities, races, genders, ages and religions. We regularly review our existing employment policies and keep abreast of and update relevant laws and regulations to ensure that all employment measures are strictly implemented.

As at December 31, 2023, the Group had 9,413 employees, of which 215 were in the Head Office, 8,016 were in the Medical Examination segment and 1,182 were in the General Hospital segment. The ratio of male to female employees was approximately 1:4. There were 166 employees with a master's degree or above, and 3,521 employees with a bachelor's degree.

Number and percentage of employees by geographical region



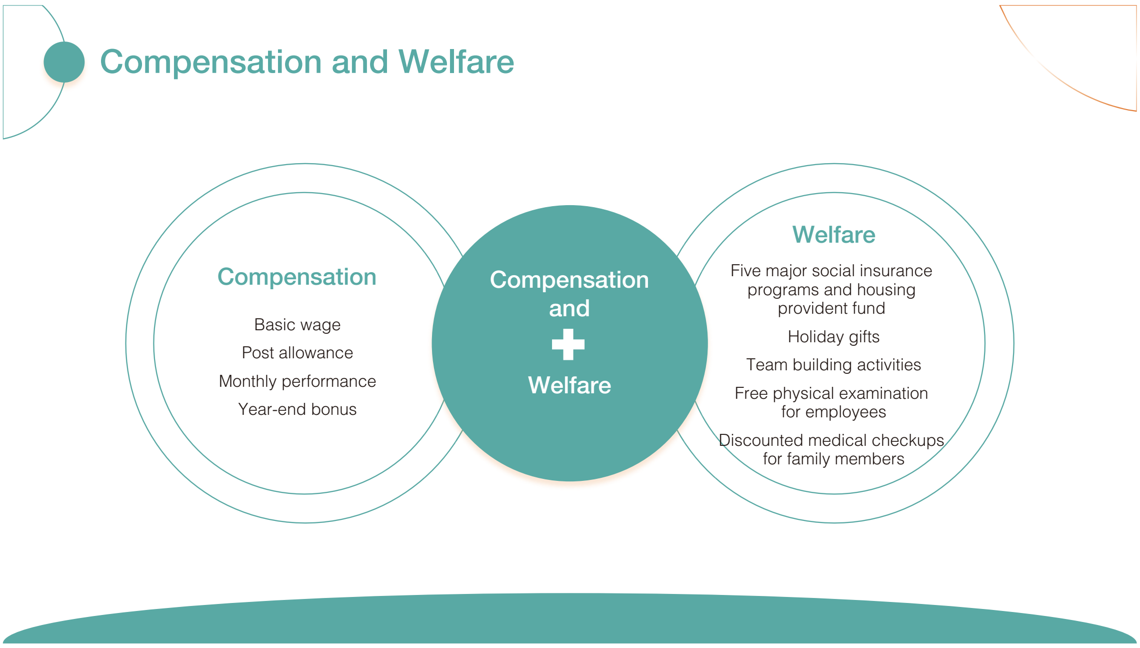

Number and percentage of employees by age group




| Turnover rate | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Employee turnover rate | % | 24.47% | 21.41% | 21.58% |
| Male employee turnover rate | % | 24.98% | 23.02% | 24.18% |
| Female employee turnover rate | % | 24.34% | 21.02% | 20.99% |

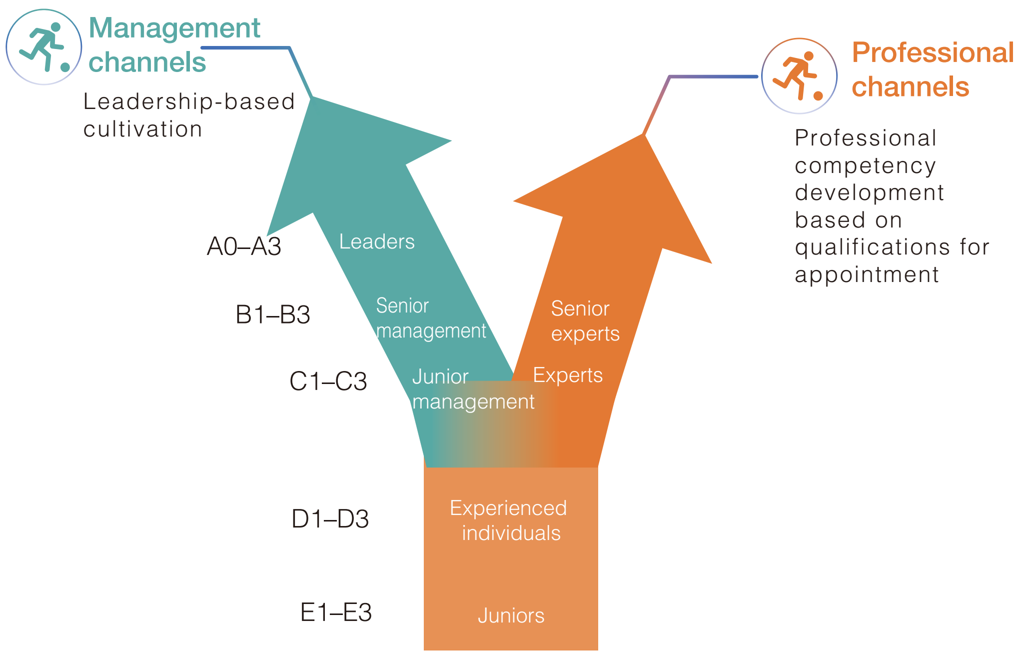
**Compensation and Welfare**

The Company, which upholds the principles of fairness and equity, equal pay for equal work, and anti-discrimination, offers attractive compensation packages. In the meantime, the Group strictly complies with the local labour laws and regulations and satisfies the minimum wage standards.



### Promotion Channels

We have established a Y-shaped career development path for our employees. A post management system featuring vertical sequence and upward and downward flow with horizontal ranks and transfer has been in place. Employees' performance is evaluated on an annual basis and the results are used as a reference for their promotion or salary increase. The emphasis has been placed on internal promotion to encourage employees to make continuous contribution.




### Work and Rest

The Group is committed to promoting work-life balance among its employees and advocating fair and reasonable working hours and leave policies to safeguard employees' rights and interests of rest and vacation. The Company regularly organizes various social activities, such as afternoon tea, birthday party and sports meet, in a bid to promote the harmonious relationship between employees in different departments.

Rici Anhui Branch — Children's Day-themed activity

Rici medical examination institution in Futian, Shenzhen —autumn tour on Double Ninth Festival

## B2 Health and Safety

The Company, which attaches great importance to the health and safety of its employees, has established a sound management system and regulatory requirements to ensure the health and safety of its employees and to operate its business in a safe and responsible manner. Taking into account our actual business situation, we have formulated more than 20 relevant systems, including the Safety Management System, the Disinfection and Quarantine System, the Infectious Disease Management System, the Systems and Measures for Occupational Safety and Injury Protection, and the Safety Protection Management System for Radiological Diagnosis and Radiotherapy.

The spending on medical examinations for employees amounted to RMB5,880,627.90 in 2023. It provides in-depth medical examination benefits to all employees. For special positions, safety supplies were provided and RMB3,669,291.27 was spent in buying safety supplies for employees in 2023. Various regular or irregular safety inspections were launched in offices, construction projects in progress, medical examination institutions, hospitals, among others. The Group designated safety management personnel, conducted safety trainings and assessments, and organized on-site safety inspections, so as to create a zero-accident working environment.

### Health and Safety

**Case 1: Headquarters - Fire Safety Drill**

**The purpose is to raise staff's awareness of safety management, enhance their self-rescue and mutual-rescue abilities in the event of safety incidents, and deepen their familiarity with the areas where fire and emergency facilities are located, escape routes and safety exits and the like in office buildings.**

**On November 14, the President's Office at Rici' s headquarters, together with the building safety management department, conducted a detailed inspection on the fire fighting facilities and equipment in the office area. Activities including fire safety knowledge training and fire drills were held for all employees.**

Health and Safety

**Case 2: Medical Examination Institution - Prevention and Treatment of Occupational Diseases from Radiation Exposure**

**With the aim of preventing and controlling the hazards of radioactive occupational diseases, the department of medical operation and management took the lead in pushing forward and supervising the training on the "prevention and control of radioactive occupational diseases" for the healthcare teams of medical examination institutions, conducted random checks on the availability and wearing of protective gear, and deepened the operational procedures of radioactive workplaces. Regular testing of radioactive equipment and health screening of radiation workers were organized to prevent radiation accidents and radioactive occupational diseases.**

In the past three years, no work-related deaths of its employees occured in the Group. In 2023, four employees were injured at work and lost 790 days of work due to work-related injuries. When work-related injuries occurred, the Group provided timely medical assistance to the injured employees.

### B3 Development and Training

The Company fully recognizes the importance of senior employees to the implementation of its strategies and strives to provide internal and external training opportunities for all employees. The Human Resources Department has set up a dedicated internal training post to take the lead in improving and systematizing the training contents. For instance, active efforts were made to build up a high-quality and long-term stable internal teaching team that meets the Group's development requirements. It promotes the "mentor-apprentice" training model and adopts the model of old employees teaching new hires and superiors guiding subordinates to carry forward the tradition of passing on, helping and leading, so as to facilitate the rapid growth of its employees, and to ensure that they are equipped with the necessary capabilities for the implementation of its strategies. Moreover, we have explored with the Information Management Center the online training model on the mobile end, so as to facilitate the efficient implementation of training programs and deliver better training experience for employees.

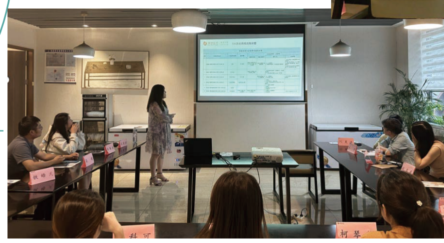
In 2023, trainings were organized and all employees received various types of trainings, as detailed below:

| Types of training activities | Times |
|---|---|
| Training for newcomers | 51 |
| General technical skills training | 77 |
| Sales personnel training | 56 |
| Medical staff training | 166 |
| Leadership development training | 22 |

## Training for newcomers

The aim is to help new employees quickly understand the Company's profile and adapt to the work environment and work requirements.

The Group's human resources center, hospitals and medical examination institutions coordinated the training on new employees, with the cooperation of all departments. The training mainly focuses on the development history and current situation of Rici, brand promotion, organization, corporate culture, rules and regulations. At the same time, the employment departments have launched a mentoring mechanism to help new employees quickly familiarize themselves with the duties of their positions. All new employees attended training in 2023.



## General technical skills training

Upholding the customer-oriented business philosophy, the Group's customer service department coordinated and organized service etiquette training, which was held in 2023 for the relevant medical staff, salespersons and hospital staff of medical examination institutions across the country. The training mainly focused on quality control, first aid, etiquette and products.

### Sales staff training

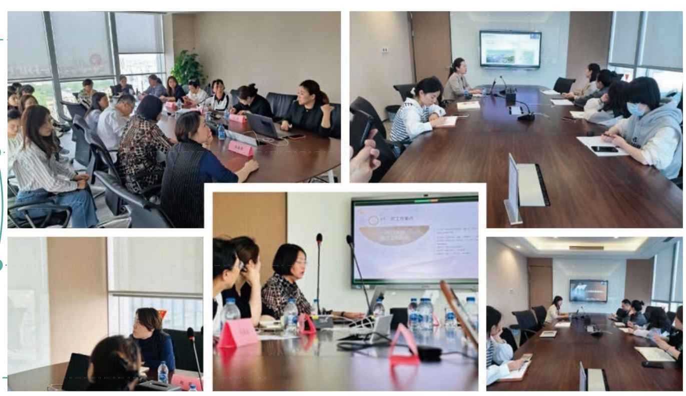
The Group's sales service department coordinates and organizes training for sales staff on the business end nationwide in 2023. Topics include products, sales policies and more. A total of 24 cities (Shanghai, Beijing, Nantong, Nanjing, Suqian, Suzhou, Xuzhou, Changzhou, Yangzhou, Zhenjiang, Wuxi, Chengdu, Wuhan, Changsha, Shenzhen, Guangzhou, Foshan, Xiamen, Quanzhou, Shenyang, Qingdao, Ji'nan, Huzhou, Yancheng) are covered.

### Medical staff training

The Group's department of medical operation and management and major regions/branches organize professional medical skills training. It is mainly for healthcare professionals in various medical examination institutions. Training contents include: analysis of common problems in medical examination reports, quality analysis and improvement of medical examination reports, CPR coordination and exercise, notes and operation of capsule gastroenteroscopy, clinical application of HPV and TCT, SOP procedures of cardiopulmonary resuscitation for emergency reports, and interpretation of tumor markers.

### Leadership development training

The Group's human resources center coordinates and organizes training for management and leadership enhancement. The training targets middle and senior management, management trainees.



## B4 Labor Standards

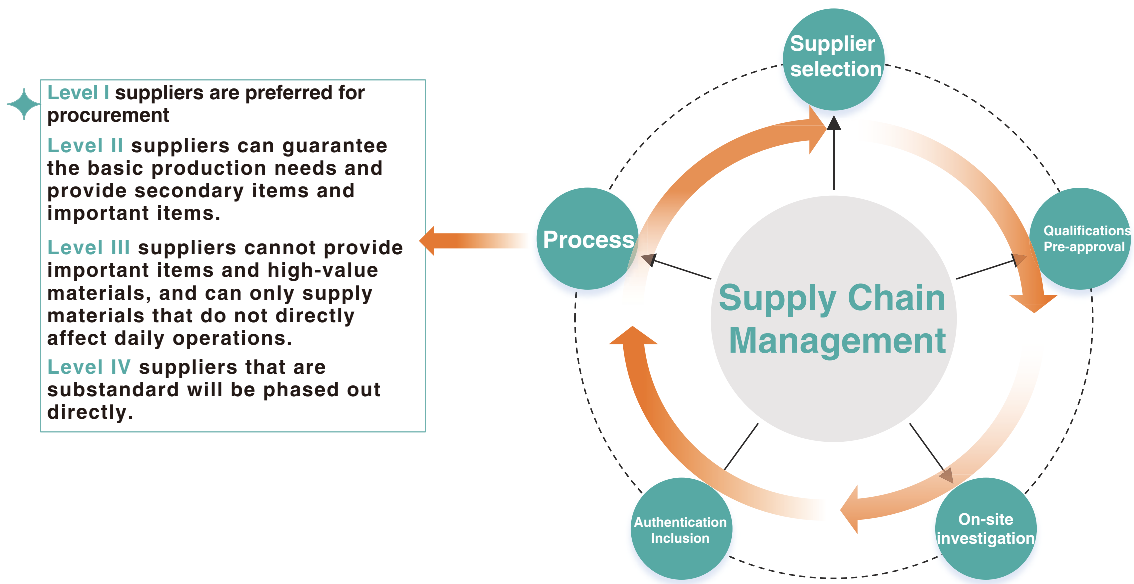
The Group strictly complies with the Labor Law of the People's Republic of China, the Law on the Protection of Minors of the People's Republic of China as well as other applicable laws and regulations, and prohibits forced labour and child labour to protect their legitimate rights and interests.

The Group's Human Resources Center strictly oversees the recruitment process and rigorously verifies the proof of age documents submitted by the applicants to ensure their authenticity and legality. We advocate efficient work, encourage our employees to complete their work within the statutory working hours and do not encourage or force them to work overtime. In addition, the Company has established a labor union and holds regular meetings between management and union delegates to gain an insight into the situation of employees.

In 2023, no incidents of discrimination or violations of laws and regulations like child labour or forced labour occurred in the Group.

## B5 Supply Chain Management

The Group strives to create a friendly procurement environment to provide socially responsible products and services. At present, the Group's Procurement and Commercial Management Center has established a complete set of supplier and procurement management system, and formed a closed-loop management and supervision mechanism for procurement to ensure the high efficiency of centralized procurement of supplies and the timely supply on the business end.

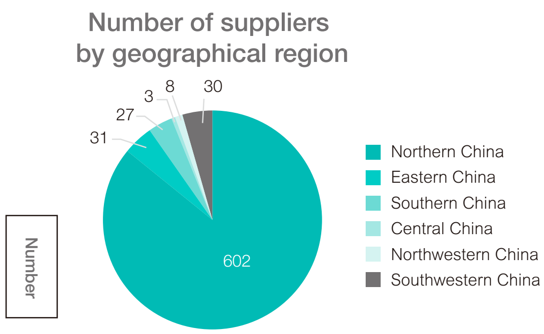


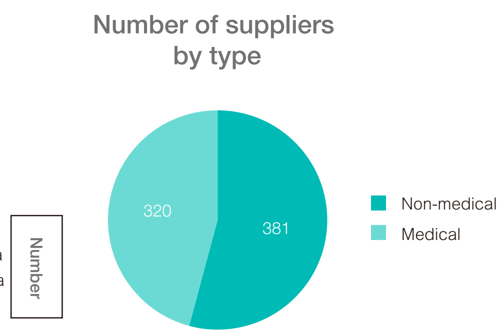
**B5.1 Supplier Management**

New suppliers are screened from the dimensions of basic qualifications, product quality, supply capability, after-sales service, product prices and the like to ensure that they meet the entry requirements, and are then included into the Annual Qualified Supplier Directory after being graded in accordance with the New Supplier Evaluation and Assessment Form.

For key suppliers, annual evaluation is conducted regularly around the product quality, delivery time, service awareness, reputation and other dimensions, based on which the Supplier Evaluation and Assessment Record Sheet is generated. Level I suppliers are preferred for cooperation. We will negotiate the exit process for Level IV suppliers. Furthermore, the Corruption-free Agreement has been incorporated as a mandatory part of the supplier contracting process. In 2023, 100% of suppliers signed the agreement.

There were 701 suppliers in 2023, which are distributed as follows:




**B5.2 Procurement Management**

As the leading department of the procurement business, the procument business management center is involved in the whole process of the procurement business and carries out strict control over procurement application, procurement planning, signing of procurement contracts, acceptance, reconciliation and payment. It guarantees the quality and timeliness of the purchasing business. Purchase applications are centrally reviewed by the Group's material management center, and different procurement methods (currently including tendering, price comparison and direct purchasing) are implemented according to the attributes of the materials for which there is a genuine need to purchase, so as to ensure the reasonableness and safety of the purchased materials.

## B6 Product Responsibility

### B6.1 Quality Control of Healthcare Services

The Group strictly complies with healthcare laws and regulations at all levels as well as the operating procedures for medical treatment and offers medical services in a scientific manner. The Company's medical quality control team has formulated comprehensive and standardized medical systems, including 29 core medical systems, 27 working systems for positions, 19 in-hospital infection control and medical waste management systems. We strive for excellence in both medical skills and services. We are committed to providing high-quality medical services and insists on high-standard talent training to build a professional and stable healthcare team. High-end equipment is used, and advanced equipment mainly from GE, Philips and Siemens is equipped in accordance with the standards of tertiary hospitals to ensure the accuracy of testing results. We adhere to discipline development and investment in scientific research.

**Core medical system**

- Medical examination safety management system
- Protective healthcare system and customer privacy protection system
- Medical examination operation checking system
- Medical examination report discussion system
- Safety management system for laboratory medicine
- Medical examination and medical quality control system
- Interdepartmental consultation system
- Radiation hygiene management system
- …

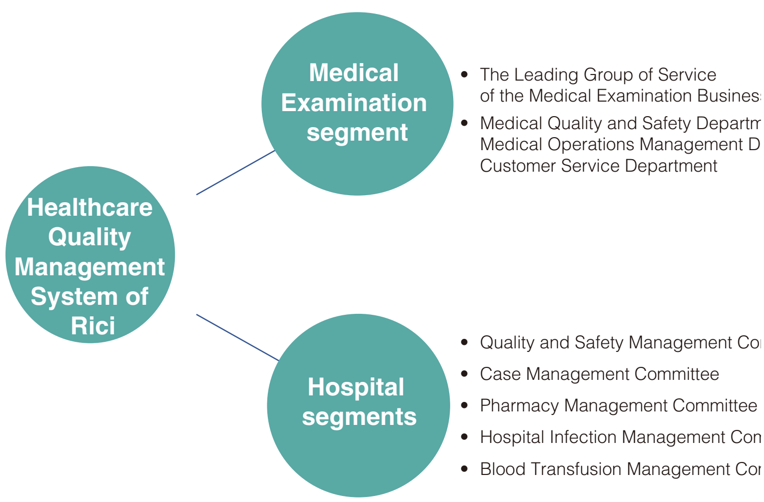
**Working system of each position**

- Working system for directors
- Working system for physicians
- Internal medicine working system
- Surgical department working system
- Working system for the gynaecology department
- Ophthalmology working system
- otolaryngology department working system
- Stomatology department working system
- B-scan ultrasound working system
- …

**In-hospital infection control and medical waste management system**

- Responsibilities of management organization and personnel at all levels for in-hospital infection
- Inn-hospital infection surveillance and reporting system
- Recall system for sterilized articles
- Quality traceability system for disinfection supply room
- Ultraviolet ray irradiation disinfection system
- Sterilized medical device management system
- Management system for sterile single-use medical supplies
- Hand hygiene management system
- Aseptic technique operating procedures
- …

The Group has set up a quality control system with clear lines of authorities and responsibilities in general hospitals and medical examination institutions. At the same time, it has set up a supporting quality assessment mechanism for medical services to promote the improvement of the quality of medical services in an all-round manner.



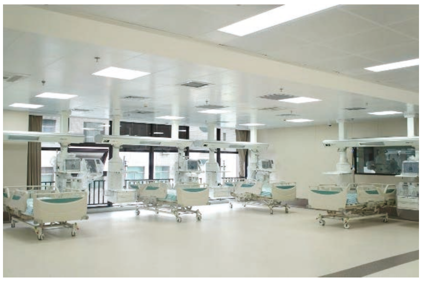
In 2023, the Group embarked on a number of healthcare service quality enhancement projects, such as building integrated wards, promoting multidisciplinary treatment, facilitating the co-building of medical consortium, and promoting the digitization and intelligentization of healthcare, which have significantly improved the quality of healthcare services.

### Case Nantong Rich Hospital's Integrated Ward Building officially comes into use

On the morning of April 19, the opening ceremony of the Integrated Ward Building of Nantong Rich Hospital was held ceremoniously, marking the start of its use.

Construction of the 12-story Integrated Ward Building, with 18 wards, commenced in 2019. When it is fully operational, the hospital will have 2,000 beds, which will greatly alleviate the pressure on the hospital. The construction of the Integrated Ward Building fully highlights the modern medical concept, integrating humanization, digitalization, intelligence and wisdom. The building is equipped with an integrated surgical department with 25 operation rooms, including hybrid operation, robotic operation, digital integration, and negative-pressure operation rooms. In Phase I, there are a total of 13 laminar flow operation rooms. The pharmacy intravenous admixture service center allows the transformation of hospital pharmacy from a pure supply guarantor to a technical service provider. An imaging center for the inpatient department has been set up to facilitate the daily examination of inpatients. After the new ICU ward comes into use, the number of beds will be increased from 12 to 34. An ECMO is available to provide strong protection for the treatment of critically ill patients.

The coming into use of the hospital's Integrated Ward Building marks a brand-new upgrade in medical services and diagnosis and treatment capacity, which will greatly improves the hospital's ability to provide its medical services.



### Case A boon for patients with cardiovascular diseases

#### —Big names from inside and outside the province set up studios in Nantong

On June 24, Nantong Rich Hospital hosted the 2023 Rici Atrial Fibrillation Standardization Management Forum cum Nantong Continuing Medical Education Project Heart Failure Diagnosis and Treatment New Progress Learning Class", which was successfully held. The forum invited well-known experts from Shanghai, Nantong and other cities to teach and share views. The experts focused on the latest research progress, clinical treatment experience, and technological innovation in AF and heart failure, bringing a wonderful academic feast. In addition, the respective studio of Prof. Sun Jian from Xinhua Hospital in Shanghai, Prof. Zhao Dongdong from Shanghai 10th People's Hospital, and Prof. Song Jie from Nanjing Drum Tower Hospital was set up at Nantong Rich Hospital and inaugurated at the forum. The three specialists have extensive experience in cryoballoon ablation, radiofrequency ablation, left atrial appendage occlusion, coronary stent implantation, and coronary rotablation for atrial fibrillation. The establishment of the studios has injected new vitality into the development of the Cardiovascular Medicine Department of Nantong Rich Hospital, and provided a more professional and comprehensive channel for patients with cardiovascular diseases in Nantong.


### Case Discovering new opportunities for internationalization of high-end medical care —Deeply engaged in Japanese-style precision medical examination service

In May 2023, a delegation of executives led by Mr. Fang Yixin, Chairman and President of Rici, visited Japan. The trip focused on Kameda Medical Center, HIMEDIC's Midtown Clinic and Nihonbashi Clinic and Toranomon Hospital in Japan.

In the future, Rici will reach a deeper cooperation with Kameda Medical Center to further enhance the quality of medical care. Based on the international market and drawing on the unique and sophisticated screening model of Japan, MEDIC International Medical Examination combines basic medical examination with personalized checkup, and carries out comprehensive and in-depth medical examination with use of the most advanced imaging equipment in the world. It has a core advantage in the screening of oncology and cardiovascular and cerebrovascular diseases. It provides high-end tailored medical checkups and full-lifecycle health management services to customers.

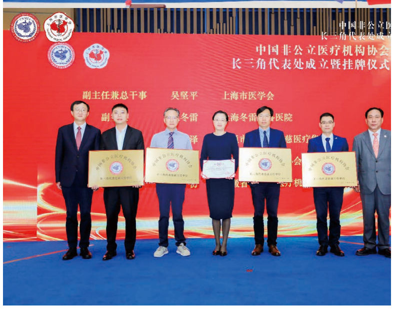
A "many-to-one" service model is adopted for members, i.e., a service team of health managers, health consultants and private doctors is formed to provide customized early disease screening, personal health assessment, sub-health management, chronic disease management, medical assistance, medical treatment in famous overseas hospitals, and other special starred health management services.

### Case

### Insist on practicing high-quality development Ceremony to Inaugurated and EstablishCNMIA Yangtze River Delta Representative Office

On November 4, the Yangtze River Delta Representative Office of the Chinese Non-government Medical Institutions Association (CNMIA) was inaugurated and established in Shanghai. At the event, Mr. Fang Haoze, an executive Director, executive vice president of Rici and general manager of the Medical Examination segment, was appointed as the deputy director of the representative office, and Mr. Hao Deming, head of CNMIA, presented the appointment certificates to the members of the leadership team.

As a promoter of the non-public healthcare industry, Rici has a long history of cooperation with CNMIA, and will continue to work together in the future. The two sides will practice high-quality development, devote themselves to the further development of China's non-public healthcare industry, and jointly assume the social responsibility for the sustainable and high-quality development of the domestic non-public healthcare sector.



### Case Creating "Boundless Innovation" in Full-Lifecycle Health Management

On November 8, Rici and GE Healthcare signed another strategic cooperation agreement at the sixth China International Import Expo. This time, the two sides have joined hands to strengthen the digital innovation platform, increase the digital integration and innovation, and empower more applications in the medical field. While enhancing the in-depth integration of AI and digital technologies with medical equipment management and services, they will continue to improve the accessibility of precision medicine and high-quality medical resources, as efforts to contribute to the accomplishment of the goal of "2030 Healthy China".


The Medical Examination segment takes the medical attitude, inherits the medical gene of the Group and maintains the original medical culture. Insisting on self-construction and self-operation, we have complete and unified standards for the site selection, decoration, opening, operation, management and service for medical examination centers, allowing us to create a high-standard and comfortable environment for medical examination. We are the first in the industry to advocate the concept of 1+X customization, turn the medical examination into a “small but fine” customized screening, provide users with more differentiated health management services, establish customer health files and perform fine management on health information, and help customers to carry out chronic disease management and health management, in a bid to truly achieve the health management.

### B6.2 Complaint and Dispute Management

In accordance with national laws and regulations such as the Administrative Measures for Complaints by Medical Institutions, the Regulations on the Handling of Medical Accidents and the Regulations on the Prevention and Handling of Medical Disputes, the Group has formulated the Administrative Measures for Complaints by the Medical Examination Segment, the Preliminary Plan for the Prevention and Handling of Medical Disputes and Medical Malpractices, the Opinions on the Assessment of and Penalty for Medical Disputes (Malpractices) Involving Economic Losses, the System of Communication between Physicians and Patients, and the more, in order to ensure the medical safety, protect the legitimate rights and interests of physicians and patients, and optimize healthcare services. Additionally, the satisfaction system and customer complaint work order and follow-up system with regard to the customer service system were launched in 2023, which greatly enhanced the timeliness of complaint handling.

**Hospital segment**

In 2023, there were 122 complaints, of which 5 involved compensation disputes.

Complaints against medical examination institutions were mainly service quality complaints. Service quality complaints were about service attitude, service timeliness, and humanization of service. A closed-loop management model of "complaint-analysis-rectification-avoidance" has been in place. To establish a smooth and convenient complaint channel, on-site complaints, telephone complaints, and online complaints are handled by designated personnel, which are recorded in the Form for Registration of Complaints from Medical Examination Subjects. Complaints from the 400 hotline service department will be connected to a medical examination institution's customer service department within 2 hours, and the first response from the latter will be made within 24 hours. The 400 hotline service department tracks the handling outcome and is responsible for urging the medical examination institution to deal with the complaints. The "first employee who receives a complaint" takes the responsibility. The Medical Quality and Safety Department regularly summarizes the complaint handling situation of each department, analyzes and sorts out general and focal issues, reflects on the loopholes in healthcare services and healthcare quality control, proposes improvement measures, and insists on continuous improvement. At the same time, it will strengthen the supervision and inspection of the work of the complaint management department, and enhance the day-to-day management and assessment.

**Hospital segments**

The doctor-patient communication office is mainly responsible for handling complaints and disputes and establishes a standing book to record the handling and follow-up procedures. Other functional departments cooperate with the office in this regard. The medical department and the head of each department discuss and analyse all recent medical disputes during meetings, and discuss the follow-up solutions regarding irreconcilable medical disputes. If necessary, medical incidents may be identified to determine the responsibilities, in order to handle the incidents properly as soon as possible.

As the Company are principally engaged in the provision of healthcare services instead of the manufacture of products, there are neither recalls of the products sold or shipped for safety and health reasons, nor product manufacturing quality assurance and recall procedures.

**B6.3 Customer Privacy Protection**

The Group attaches great importance to the protection of customers' privacy and strictly complies with relevant national laws and regulations such as the Management Rules on Medical Records of Medical Institutions, the Law on the Protection of Personal Information of the People's Republic of China and the Law on Data Security of the People's Republic of China. It also strengthens its efforts to establish and improve internal systems and has formulated the Management Rules on the Protection of Privacy in Reports of Medical Examination Recipients, the Information Data Security Management System and other relevant management systems to standardize the privacy protection and ensure the security of basic information and health data of its customers. In addition, the Group carried out a comprehensive upgrade of the database security of its customer information system during the reporting period.

**B6.4 Intellectual Property Protection**

In accordance with the Copyright Law, the Trademark Law and other national laws and regulations, the Company amended the Intellectual Property Management System of Rici in 2023. The management of intellectual property rights follows the principles of unified management and division of labour. This work is centrally managed and coordinated by the Group's Legal Affairs Center. Currently, we have a control mechanism from application, registration/filing to monitoring. In addition, we have strengthened employees' awareness of the protection of intellectual property rights and the protection of the legitimate rights and interests of the Group's intangible assets through training and publicity, rewards and punishments, and other forms.

In view of the nature of the healthcare services business, the Group's current intellectual property rights mainly include trademarks, software copyrights and patent rights.

## B7 Anti-corruption

We firmly believe that honesty, integrity and fairness are crucial to business operations. We insist on vigorously promoting integrity building, prohibiting any form of bribery, corruption, money laundering and other fraudulent activities in our operations or in connection with any person, perfecting the integrity system, reinforcing the awareness of disciplines, and promoting the integrity culture to create a good working atmosphere.

### B7.1 Anti-corruption Policy

The Company strictly complies with relevant laws and regulations like the Criminal Law of the People's Republic of China, the Regulations on Punishment of Corruption of the People's Republic of China, and the Interim Regulations on Prohibition of Commercial Bribery, and at the same time combines its actual situation to continuously improve the systems of supervision, auditing and disciplinary punishment. In 2023, the Group amended the Regulations on Fraud and Malpractice of the Group and the Internal Audit Management System of Rici to optimize the fraud and malpractice monitoring mechanism, clarify the scope of bribery and corruption, an regulate the behavior of employees. At the same time, the Human Resources Center has incorporated anti-corruption into the Code of Conduct for Employees as an important part of the induction training and assessment. The Group's Legal Affairs Center organizes anti-corruption and anti-bribery trainings on a monthly basis for all employees.

During the reporting period, the Group was not served with any lawsuit on corruption involving Rici or employees of the Group.

### B7.2 Whistleblowing Mechanism

We have established a comprehensive internal and external whistleblowing (complaints can be filed through a hotline, a mailbox, a website and other channels) and monitoring mechanism, and have designated a person to receive reports on complaints and follow up on them in a discreet and confidential manner. The Group's Audit Department, in partnership with the Legal Affairs Center, will find the root cause of any violation of the anti-corruption system and report it to the judicial authorities in a timely manner.

### B7.3 Risk Control

The Company has set up a sound risk control organizational structure to identify various contingent risks in its business operations, and has established a risk control system with pre-event prevention, in-event control and post-event summarization. From the perspective of division of rights, responsibilities and benefits, in addition to the clearly-defined objectives, duties, and permissions for different departments and positions, checks and balances have also come in place as a supervision mechanism to ensure functions can be fulfilled within the scope of authority. Continuous efforts were made to optimize the review and approval process for various matters in the Group's operations (covering procurement management, sales management, human resources management, payment management, seal management, etc.) to seek a balance between risk control and operational efficiency.

At the beginning of 2023, the Audit Department worked out a nationwide inspection plan, according to which it conducted detailed internal audits over more than 70 institutions within the Group, covering sales revenue management, marketing expense management, human resources management and financial management. Meanwhile, the Company's rules and regulations were promoted to the frontline employees of each institution to enhance their awareness of risk prevention and control.

## B8 Community Investment

The Group integrates social responsibility into its development strategy, actively holds activities such as volunteer medical care and education assistance, undertakes responsibilities as a corporate citizen and promotes the development of public utilities.

### B8.1 Voluntary Diagnosis and Treatment

In 2023, more than 50 activities were organized by medical examination institutions and Nantong Rich Hospital. These well-received activities disseminated health knowledge among community residents and raised their awareness of disease prevention and treatment.

**Case: Nantong Rich Hospital – Science Popularization Lecture during National Anti-Cancer Week:**

The aim is to enhance the awareness of cancer prevention and fight against cancers among people, and enable the general public to master a healthy lifestyle.

During the 29th National Anti-Cancer Week, the Cancer Center of Nantong Rich Hospital sent some directors and nursing staff to participate in the voluntary consultation activities. They promoted oncology knowledge and popularized the concept of scientific cancer prevention, with a view to increase the early diagnosis rate and cure rate of oncology. They advocated balanced diets, smoking and alcohol cessation, standardized medical treatment, and keeping a good state of mind to effectively prevent and treat cancer. At the same time, they led the healthcare exercise, hoping to help the general public to master the healthy way of exercise in their daily life.

**Case: Free Consultation Activities Held**

The aim is to enhance residents' health awareness through the provision of multi-dimensional public health services and to truly realize the prevention of diseases prior to incidence.

On the occasion of the sixth Chinese Doctors' Day, medical examination institutions around the country organized and launched free consultation activities on August 18. Such activities were held in business districts, villages, enterprises and communities, as efforts to realize the linkage among them. More diversified health service activities rich in content were organized for residents, which practically achieves zero-distance services and "doctor"-supporting health. The free consultation activities covered various specialties such as general surgery, urology, cardiology, gynecology, ophthalmology, osteoporosis, blood pressure testing, electrocardiography and other first aid knowledge such as "cardiopulmonary resuscitation" and "Heimlich", as well as popularization of how to improve the dietary habits, living habits, traditional Chinese medicine-based health exercises, and emotional adjustment, which provide guidance on reasonable medical treatment and early prevention, detection, and treatment of diseases.

Huzhou Rici Medical Examination Center's expert volunteer team offered free consultation service in Hefu Water Service Area (a unit under the Huzhou Port and Shipping Bureau).

Hefei Rici Medical Examination Center's expert volunteer team launched free consultation service in the Party group service center in Tianehu cultural business district.

### B8.2 Educational Assistance

The Company emphasizes its investment in education, focuses on children and education, and insists on making donations to schools and school-enterprise cooperation, so as to help cultivate talents in the medical industry as well as in the society through investment in education.

**Case Study: Rici Makes Donation to Yangzhou University via a Fund**

The aim is to select outstanding students for joint training and resource sharing to foster top-class medical talents with an international vision, innovation and leadership, so as to jointly promote the high-quality development of medical education, and create a new model of school-enterprise cooperation.

On April 8, a donation ceremony of a Rici fund was held in Alumni Hall of Yangzhou University. The fund is a talent cultivation fund through which the Shanghai Rich Medical Investment Group Co., Ltd. Fang Yixin and Mei Hong donated 2 million yuan to the Yangzhou University Education Development Foundation for the establishment of "Rici classes" for a school of medicine and a nursing school - school of public health. The Group will attach great importance to the cooperation with Yangzhou University, enrich the talent exchange and practical opportunities, spur students majoring in medicine to cultivate both morality and medical skills, foster talents with all-round development, further achieve the coordinated development of medical education and research, optimize the scientific research environment, strengthen the innovation ability and raise academic level, generate more cooperation results, and create a benchmark for university-enterprise cooperation.


**Case: Rici Medical Examination Branch in Yangzhou Sends Gift Packages to Families with Exam Candidates**

We uphold the philosophy of emphasizing education and caring for the well-being of our employees.

On May 29, Rici Medical Examination branch in Yangzhou sent gift packages to 11 families with children participating in the senior high school entrance exam and college entrance exam to cheer for the candidates and their parents, and to wish them excellent results in the exams. Meanwhile, all departments rationalized the work schedule of their staff during the exam period, so that they can better accompany their children in preparing for the exams, and provide them with more support and care.

### B8.3 Charity Support

Aiming to promote the concept of healthy living and bring health management to the attention of the society, the Group has been actively carrying out various public welfare activities while developing its own business without forgetting its original aspiration.

**Case: Rici Launches Pink Ribbon Charity Activity Themed on Pink Power**

October is the World Breast Cancer Awareness Month, also known as Pink Ribbon Month. On October 18, the 2023 Rici Pink Ribbon Charity Donation Ceremony themed on Pink Power was successfully held at the Shanghai flagship store of XMEDIC. Together with a regional union, Rici donated women's medical examination packages valued at RMB150,000. In addition, it provided expert consultation services to many female guests.

### B8.4 Community Building

In order to fulfill our corporate social responsibilities, we have actively strengthened our cooperation with social service organizations around the globe and shared our strengths to create a healthy and safe social environment.

**Case: Police and Doctors Interact with Each Other andJoin Hands to Guarantee Security**

On May 29, Nantong Rich Hospital and Tianzhongxing Sub-district Police Station launched an activity called "Policemen and doctors interact with each other and join hands to guarantee security". The two sides will closely follow the principle of "organizational interconnection, resource interoperability, complementary functions" to constantly strengthen the depth, breadth and strength of co-building between policemen and doctors, and practically transform their co-building force into the driving force for work and the ability to do practical things for the public, in order to contribute to the high-quality development of the city. The activity aims to effectively enhance the awareness of fraud prevention among medical staff, effectively curb the high incidence of telecommunication network crimes, popularize the knowledge of safety precautions, and prevent and reduce the occurrence of telecommunication frauds. With the aim to serve the people, the deep integration of and co-building between a public security organ and a medical institution will enhance first aid knowledge and skills, strengthen the traffic police's ability to deal with traffic accidents, improve road safety knowledge and health awareness, and actively create a good atmosphere of "co-building between a public security organ and a medical institution, and guarantee of security" .



**Case: Rici Signs Contract with Jiangsu Provincial Sports Bureau and National Physical Fitness Measurement and Fitness Guidance Station**

On April 13, Rici Medical Examination Institution in Jianye successfully held a ceremony for Rici to sign a contract with Jiangsu Provincial Sports Bureau and National Physical Fitness Measurement and Fitness Guidance Station. The parties had discussions and reached a consensus on the ways of cooperation in the integration of sports and health, and sports and medicine, in order to promote the establishment of a new model of multi-departmental collaboration and joint development of sports for health. In addition, a data management platform for all age groups will be jointly set up to provide a more intuitive basis for guiding the public in scientific fitness.

## Appendix: Index of HKEX ESG Reporting Guide

| Environmental, Social and Governance Reporting Guide | | Content |
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| Subject Area A. Environmental | | |
| Aspect A1: Emissions | | |
| A1 | Information on:<br>(a) the policies;<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions Management |
| A1.1 | The types of emissions and respective emissions data (including ozone-depleting substances and major air pollutants) | Emissions Management |
| A1.2 | Direct (Scope 1) and indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emissions Management |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emissions Management |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | Emissions Management |
| A1.5 | Description of the emission target(s) and steps taken to achieve them. | Emissions Management |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them | Emissions Management |
| Aspect A2: Use of Resources | | |
| A2 | Policies on the efficient use of resources, including energy, water and other raw materials. | Resource Use Management |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility) | Resource Use Management |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility) | Resource Use Management |
| A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Resource Use Management |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Resource Use Management |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not applicable to the Group |

| Environmental, Social and Governance Reporting Guide | | Content |
|---|---|---|
| A3: The Environment and Natural Resources | | |
| A3 | Policies on minimising the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them. | The Environment and Natural Resources |
| A4: Climate Change | | |
| A4 | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change |
| Subject Area B. Social | | |
| Employment and Labor Practices | | |
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| B1 | General Disclosure<br>Information on:<br>(a) the policies;<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment |
| B1.1 | Total workforce by gender, employment type, age group and geographical region. | Employment |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment |
| Aspect B2: Health and Safety | | |
| B2 | General Disclosure<br>Information on:<br>(a) the policies;<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Health and Safety |
| B2.2 | Lost days due to work injury. | Health and Safety |
| B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Health and Safety |

| Environmental, Social and Governance Reporting Guide | | Content |
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| Aspect B3: Development and Training | | |
| B3 | General Disclosure<br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training.<br>It may include internal and external courses paid by the employer. | Development and Training |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Development and Training |
| B3.2 | The average training hours completed per employee by gender and employee category. | Development and Training |
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| B4 | General Disclosure<br>Information on:<br>(a) the policies;<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Labor Standards |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labor Standards |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | Labor Standards |
| Aspect B5: Supply Chain Management | | |
| B5 | General Disclosure<br>Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |

| Environmental, Social and Governance Reporting Guide | | Content |
|---|---|---|
| Aspect B6: Product Responsibility | | |
| B6 | General Disclosure<br>Information on:<br>(a) the policies;<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Not applicable to the Group |
| B6.2 | Number of product and service related complaints received and how they are dealt with. | Product Responsibility |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility |
| B6.4 | Description of quality assurance process and recall procedures. | Not applicable to the Group |
| B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Product Responsibility |
| Aspect B7: Anti-corruption | | |
| B7 | General Disclosure<br>Information on:<br>(a) the policies;<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-corruption |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption |
| B7.3 | Description of the anti-corruption training provided to directors and employees. | Anti-corruption |
| Community | | |
| Aspect B8: Community Investment | | |
| B8 | General Disclosure<br>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Social Investment |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Social Investment |
| B8.2 | Resources contributed (e.g. money or time) to the focus area. | Social Investment |

# Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

## PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on July 11, 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company, and its subsidiaries primarily incorporated in the PRC are primarily engaged in the operating general hospital and medical examination centers in the PRC.

The activities and particulars of the Company's subsidiaries are shown under Note 44 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

## BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Environmental, Social and Governance Report". The review and discussion form part of this directors' report.

## RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2023 are set out on pages 109 to 210 of this annual report.

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 Friday, June 14, 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 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 Thursday, June 13, 2024.

## FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 10 of this annual report.

## PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2023 are set out in Note 7 to the consolidated financial statements of this annual report.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2023 are set out in Note 19 to the consolidated financial statements of this annual report.

## RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2023 are set out in Note 21 to the consolidated financial statements of this annual report.

## DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's distributable reserves were RMB655.1 million.

## BORROWINGS

As at December 31, 2023, the Group had outstanding borrowings of RMB866.6 million. Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 23 to the consolidated financial statements of this annual report.

## 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.

## 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 on a pro-rata basis to the existing Shareholders.

## USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. During the year ended December 31, 2022, the net proceeds from the listing had been fully utilised in accordance with the intended use which was disclosed in the first place in the Prospectus and subsequently changed and disclosed in the Company's announcements dated February 18, 2020 and June 15, 2021.

## DIRECTORS

The Board currently consists of the following seven Directors:

### Executive Directors

Dr. Fang Yixin *(Chairman and Chief Executive Officer)*
Dr. Mei Hong
Ms. Lin Xiaoying
Mr. Fang Haoze

### Independent Non-executive Directors

Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

## DIRECTORS' SERVICE CONTRACTS

Details of the executive Directors' service contracts and the independent non-executive Directors' appointment letters are set out in the section headed "Corporate Governance Report — 2. The Board — (8) Change of Directors" in this annual report.

The appointment of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed in this annual report, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

## CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "— Connected Transaction", "— Related Party Transactions" and "Management Discussion and Analysis" and Note 43 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2023 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2023 or subsisted at the end of the year.

## DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the sections headed "— Connected Transaction", "— Related Party Transactions" and "Management Discussion and Analysis" and Note 43 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2023.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 33 to the consolidated financial statements of this annual report.

For the year ended December 31, 2023, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2023.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 20 to the consolidated financial statements of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, by our Group to or on behalf of any of the Directors.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2023, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## DEED OF NON-COMPETITION

On June 23, 2016, Dr. Mei, the Company's ultimate Controlling Shareholder, and Chelsea Grace, through which Dr. Mei holds equity interest in the Company entered into the deed of non-competition ("**Deed of Non-competition**") in favor of the Company, pursuant to which the Controlling Shareholders have irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Controlling Shareholders confirmed that they have complied with the Non-competition Deed for the year ended December 31, 2023. The independent non-executive Directors have conducted such review for the year ended December 31, 2023 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

## MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters as disclosed in the section headed "— Directors' service contracts" and the section headed "Corporate Governance Report — 2. The Board — (8) Change of Directors" in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2023.

## MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2023.

## LOAN AND GUARANTEE

During the year ended December 31, 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the Listing Rules).

## PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

### Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of the Shareholders passed on September 19, 2016.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

On September 19, 2016, options (exercisable for 10 years subject to vesting schedule as set out below) to subscribe for an aggregate of 47,710,500 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of three grantees, including two executive Directors. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. The exercise price is HK$1.60 per Share as determined by the Board taking into account of the grantees' contribution to the development and growth of the Group. Apart from the above share options, no options were granted under the Pre- IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares underlying the outstanding options granted under the Pre-IPO Share Option Scheme is 47,710,500 Shares, representing approximately 3.0% of the issued share capital of the Company as at the date of this annual report.

Subject to the Pre-IPO Share Option Scheme, each option shall be vested in the following manner:

| Tranche | Vesting Date |
|---|---|
| five percent (5%) of the Shares subject to an option so granted | third (3rd) anniversary of the offer date for an option |
| ten percent (10%) of the Shares subject to an option so granted | fourth (4th) anniversary of the offer date for an option |
| fifteen percent (15%) of the Shares subject to an option so granted | fifth (5th) anniversary of the offer date for an option |
| seventy percent (70%) of the Shares subject to an option so granted | sixth (6th) anniversary of the offer date for an option |

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2023 are set out below:

| | Number of options | | | | | |
|---|---|---|---|---|---|---|
| Name of option holder | Outstanding as at January 1, 2023 | Exercised during the year | Cancelled during the year | Lapsed during the year | Outstanding as at December 31, 2023 | Exercise Price |
| **Directors of the Company** | | | | | | |
| Dr. Fang | 15,903,500 | – | – | – | 15,903,500 | HK$1.60 |
| Dr. Mei | 15,903,500 | – | – | – | 15,903,500 | HK$1.60 |
| **Senior management and other employees of the Group** | | | | | | |
| Cao Ying | 15,903,500 | – | – | – | 15,903,500 | HK$1.60 |
| Total | 47,710,500 | – | – | – | 47,710,500 | |

The Directors who have been granted options under the Pre-IPO Share Option Scheme, have undertaken that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

A summary of the terms (including the terms of the scheme, the calculation method of the exercise price and vesting periods and conditions) of the Pre-IPO Share Option Scheme has been set out in the section headed "E. Pre-IPO Share Option Scheme" in Appendix IV of the Prospectus.

The Pre-IPO Share Option Scheme does not fall within the ambit of, and is not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 20 to the consolidated financial statements in this annual report.

## Share Option Scheme

On September 19, 2016, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

The Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 79,517,500 Shares (i.e. 5% of the aggregate of the Shares in issue on the Listing Date) ("**Scheme Mandate Limit**"), representing approximately 5% of the total issued shares as at the date of this annual report. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from September 19, 2016 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of the option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant, and (c) the nominal value of a Share.

On November 24, 2017, the Company granted share options to certain then Directors and employees of the Company and its subsidiaries to subscribe for a total of 79,517,500 ordinary shares in the share capital of the Company, at the price of HK$2.42 per Share. The closing price of the Shares before the date of grant of such options was HK$2.35 per Share. As of December 31, 2023, among the Options granted as described above, options in respect of a total of 700,000 Shares were granted to an associate (as defined under the Listing Rules) of a Director and the acceptance letter was signed. Details of such options granted to the associate of a Director are set out as follows:

| Name | Position | Number of options granted |
|---|---|---|
| Mr. Mei Ye(1) | Deputy General Manager of Medical Examination Business Department | 700,000 |
| **Total** | | **700,000** |

Note:

(1) Mr. Mei Ye is an associate of Dr. Mei.

Details of the options granted under the Share Option Scheme and those remained outstanding as at December 31, 2023 are as follows:

| | | Number of Options | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name and Class of Grantees | Date of Grant | Outstanding as at January 1, 2023 | Granted during the year ended December 31, 2023 | Exercised during the year ended December 31, 2023 | Cancelled during the year ended December 31, 2023 | Lapsed during the year ended December 31, 2023 | Outstanding as at December 31, 2023 | Exercise Price |
| **(1) Associate of Director** | | | | | | | | |
| Mr. Mei Ye[1] | November 24, 2017 | 700,000 | – | – | – | – | 700,000 | HK$2.42 |
| **(2) Other Employees** | November 24, 2017 | 63,660,000 | – | – | (18,600,000) | – | 45,500,000 | HK$2.42 |
| **Total** | | **64,360,000** | **–** | **–** | **(18,600,000)** | **–** | **46,200,000** | |

Note:

(1) Mr. Mei Ye is an associate of Dr. Mei.

20% of the options granted will be exercisable from the date falling on the 3rd anniversary of the date of grant of such options; 20% of the options granted will be exercisable from the date falling on the 4th anniversary of the date of grant of such options; 20% of the options granted will be exercisable from the date falling on the 5th anniversary of the date of grant of such options; and the remaining 40% of the options granted will be exercisable from the date falling on the 6th anniversary of the date of grant of such options.

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 20 to the consolidated financial statements in this annual report.

A summary of the terms of the Share Option Scheme has been set out in the section headed "F. Share Option Scheme" in Appendix IV of the Prospectus.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (A) Long/Short position in ordinary shares of the Company

| Name of Director | Long position | Capacity | Number of ordinary shares interested[(1)] | Approximate percentage+ of the Company's issued share capital |
|---|---|---|---|---|
| Dr. Mei[(2)] | Long position | Interest in controlled corporation; | 1,140,836,800 (L) | 71.74% |
| Dr. Fang[(3)] | Long position | Interest of spouse | 1,140,836,800 (L) | 71.74% |

### (B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

| Name of Director | Capacity | Number of underlying shares in respect of the share options granted[(1)(2)] | Approximate percentage+ of the Company's issued share capital |
|---|---|---|---|
| Dr. Mei[(2)] | Beneficial owner; Interest of spouse | 31,807,000 (L) | 2.00% |
| Dr. Fang[(3)] | Beneficial owner; Interest of spouse | 31,807,000 (L) | 2.00% |

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(2) Chelsea Grace was beneficially interested in the 1,140,836,800 Shares as at December 31, 2023. Under the SFO, Dr. Mei is deemed to be interested in all the Shares held by Chelsea Grace by reason of her 100% interest in its issued share capital and is also deemed to be interested in all the interests held by Dr. Fang as she is the wife of Dr. Fang who is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme. Dr. Mei is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

(3) Dr. Fang is the husband of Dr. Mei. Therefore, Dr. Fang is deemed to be interested in Dr. Mei's interests in our Company who is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme. Dr. Fang is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2023.

Details of the above share options granted by the Company are set out in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this report.

## (C) Interest in associated corporation

| Name of Director | Associated corporation | Capacity/ nature of interest | Number of shares | Percentage of shareholding interest |
|---|---|---|---|---|
| Dr. Mei[1] | Chelsea Grace[2] | Beneficial owner | 1 | 100% |
| Dr. Fang[1] | Chelsea Grace[2] | Interest of spouse | 1 | 100% |

Notes:

(1) Dr. Fang is the husband of Dr. Mei. Therefore, under the SFO, Dr. Fang is deemed to be interested in Dr. Mei's interests in Chelsea Grace.

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at December 31, 2023, Chelsea Grace held 71.74% of our issued share capital and thus was our associated corporation.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at December 31, 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at December 31, 2023, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

### Long/Short position in ordinary shares of the Company

| Name | Capacity | Number of ordinary shares interested[(1)] | Approximate percentage+ of the Company's issued share capital |
|---|---|---|---|
| Chelsea Grace | Beneficial owner | 1,140,836,800 (L) | 71.74% |

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2023.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2023, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

## MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for 5.3% of the Group's total revenue. The Group's five largest customers accounted for 6.8% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for 10.4% of the Group's total purchase. The Group's five largest suppliers accounted for 31.7% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

## 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.

## RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 33 to the consolidated financial statements in this annual report.

## CONNECTED TRANSACTION

During the year ended December 31, 2023, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2023 are set out in Note 43 to the consolidated financial statements contained in this annual report.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

## EVENTS SUBSEQUENT TO THE PERIOD

As of the date of this annual report, there has been no significant event since the end of the Reporting Period that is required to be disclosed by the Company.

## 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 annual report, the Company has maintained the public float as required under the Listing Rules.

## INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's liability exposure is currently in force and was in force during the year.

## 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 as set out in the CG Code as contained in the Listing Rules, as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviation from code provisions C.1.8 and C.2.1 of the CG Code.

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

Pursuant to code provision C.2.1 of the CG Code, the responsibility between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and the chief executive officer and Dr. Fang performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang is beneficial to the Group for implementing its new business strategies given his abundant experience in the healthcare industry and longtime and substantive involvement in the day to day management and operation of the Group. In addition, the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and capable individuals independent from Dr. Fang (except his spouse, Dr. Mei, and his son, Mr. Fang Haoze). The Board comprised four executive Directors and three independent non-executive Directors as at the date of this report 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.

## DONATIONS

During the year ended December 31, 2023, the Group made charitable donations in the amount of RMB0.5 million (2022: nil).

## AUDITOR

The consolidated financial statements for the year ended December 31, 2023 have been audited by BDO Limited, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

On December 14, 2022, the Board announced that PricewaterhouseCoopers had resigned as the auditor of the Company with effect from December 13, 2022, and that BDO Limited had been resolved to be appointed as the auditor of the Company at the recommendation of the Audit Committee with effect from December 14, 2022.

Save as disclosed above, there was no other change of the Company's auditors in any of the preceding three years.

## COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2023, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
**Fang Yixin**
*Chairman and Chief Executive Officer*

Shanghai, March 28, 2024

# Independent Auditor's Report

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**To the Shareholders of Rici Healthcare Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 114 to 210, which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment assessment on property and equipment and right-of-use assets

Refer to notes 5(e), 7 and 8 to the consolidated financial statements respectively and the material accounting policies in notes 2.4, 2.5 and 2.15 to the consolidated financial statements.

As at 31 December 2023, the Group had property and equipment and right-of-use assets with carrying amounts of RMB1,496.2 million and RMB1,245.3 million, respectively. The amount of RMB2,741.5 million in total represented 59.1% of the Group's total assets.

Management is required to perform impairment assessment if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment and right-of-use assets of the Group other than those related to certain medical examination centres which have been in operation for more than two years as at 31 December 2023 but incurred operating losses in recent years.

For the purpose of performing the impairment assessment on the property and equipment and right-of-use assets for these medical examination centres, as these assets do not generate cash flow independently, management identified each of medical examination centre as a Cash Generating Unit ("**CGU**"). The recoverable amount of the underlying CGU was determined based on the value-in-use calculations.

The impairment test involves significant judgements in selecting data including revenue growth rate, profit margins, discount rate and assumptions used by the management under the value-in-use calculation.

Management concluded that, based on the impairment assessment, no impairment losses would be recognised for the year.

### Our response

Our procedures on the management's impairment assessment on property and equipment and right-of-use assets included:

(i) Understanding the management's internal control and assessment process of impairment assessment of property and equipment and right-of-use assets;

(ii) Understanding and evaluating the management's procedures in identifying the CGUs having impairment indicators;

(iii) Involving an auditor's valuation expert to assist our work in assessing the appropriateness of the valuation methodology adopted by management and evaluating the appropriateness of the discount rate adopted by management by comparing it with the costs of capital of comparable companies as well as considering territory specific and other factors;

(iv) Corroborating the key input data and major assumptions of the future cash flows projection adopted in the valuation model, including revenue growth rate, by comparing them with historical actual operating results, budgets approved by management and future business projections; and

(v) Testing the mathematical accuracy of the underlying value-in-use calculations.

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company’s annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group’s financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO Limited**
*Certified Public Accountants*

**Lui Chi Kin**
Practicing Certificate Number P06162

Hong Kong, March 28, 2024

# Consolidated Balance Sheet

As at 31 December 2023

| | Notes | As at 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 7 | **1,496,201** | 1,444,578 |
| Right-of-use assets | 8 | **1,245,255** | 1,219,532 |
| Intangible assets | 9 | **17,858** | 5,388 |
| Investments accounted for using equity method | 10 | **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 | 11 | **182,100** | 181,725 |
| Deposits for long-term leases | 12 | **56,475** | 51,993 |
| Deferred tax assets | 13 | **109,911** | 124,806 |
| Other receivables | 16 | **50,000** | 110,000 |
| Prepayments | 18 | **29,775** | 61,893 |
| | | **3,199,155** | 3,210,537 |
| **Current assets** | | | |
| Inventories | 14 | **37,396** | 38,727 |
| Trade receivables | 15 | **299,469** | 278,712 |
| Other receivables | 16 | **264,779** | 160,280 |
| Prepayments | 18 | **22,293** | 40,947 |
| Amounts due from related parties | 43 (d) | **2,553** | 1,114 |
| Restricted cash | 17 | **900** | 116,400 |
| Cash and cash equivalents | 17 | **811,210** | 720,141 |
| | | **1,438,600** | 1,356,321 |
| **Total assets** | | **4,637,755** | 4,566,858 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 19 | **1,065** | 1,065 |
| Reserves | 21 | **1,125,880** | 952,853 |
| | | **1,126,945** | 953,918 |
| **Non-controlling interests** | 22 | **(12,900)** | (49,092) |
| **Total equity** | | **1,114,045** | 904,826 |

| | Notes | As at 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 23 | **219,140** | 320,159 |
| Lease liabilities | 25 | **1,135,647** | 1,097,716 |
| Deferred income | 28 | **3,695** | 90,296 |
| | | **1,358,482** | 1,508,171 |
| **Current liabilities** | | | |
| Borrowings | 23 | **647,466** | 615,166 |
| Other financial liabilities | 24 | **–** | 162,920 |
| Lease liabilities | 25 | **264,298** | 265,509 |
| Contract liabilities | 26 | **601,400** | 552,090 |
| Trade and other payables | 27 | **541,229** | 481,852 |
| Amounts due to related parties | 43(d) | **132** | 133 |
| Income tax payables | | **108,745** | 69,351 |
| Deferred income | 28 | **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 |

The notes on pages 120 to 210 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 114 to 210 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:

**Fang Yixin**
*Director*

**Mei Hong**
*Director*

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

| | Notes | Year ended 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 29 | **2,992,689** | 2,375,027 |
| Cost of sales | 32, 33 | **(1,743,180)** | (1,447,825) |
| **Gross profit** | | **1,249,509** | 927,202 |
| Distribution costs and selling expenses | 32, 33 | **(380,584)** | (286,843) |
| Administrative expenses | 32, 33 | **(223,845)** | (222,413) |
| (Impairment loss)/reversal of impairment loss on financial assets | 32 | **(9,042)** | 3,448 |
| Other income | 30 | **26,629** | 22,038 |
| Other losses | 31 | **(5,747)** | (11,754) |
| **Operating profit** | | **656,920** | 431,678 |
| Finance costs | 34 | **(122,619)** | (111,327) |
| Finance income | 34 | **10,373** | 6,420 |
| Finance costs — net | 34 | **(112,246)** | (104,907) |
| Share of results of investments accounted for using equity method | 10 | **958** | 419 |
| **Profit before income tax** | | **545,632** | 327,190 |
| Income tax expense | 35 | **(143,657)** | (84,041) |
| **Profit for the year from continuing operations** | | **401,975** | 243,149 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | 36 | **—** | 24,038 |
| **Profit for the year** | | **401,975** | 267,187 |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the Company | 37(a) | **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 | 37 | **RMB0.23** | RMB0.18 |
| **From continuing operations** | | | |
| — Basic and diluted | 37 | **RMB0.23** | RMB0.15 |
| **From discontinued operations** | | | |
| — Basic and diluted | 37 | **N/A** | RMB0.03 |

The notes on pages 120 to 210 are an integral part of these consolidated financial statements.

# Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 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 |

The notes on pages 120 to 210 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

| | | Attributable to Owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | Notes | Share capital RMB'000 (Note 19) | Reserves RMB'000 (Note 21) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2022** | | 1,065 | 676,435 | 677,500 | (90,074) | 587,426 |
| Profit/(loss) for the year | | — | 290,793 | 290,793 | (23,606) | 267,187 |
| Other comprehensive income | | — | 1,725 | 1,725 | — | 1,725 |
| **Total comprehensive income** | | — | 292,518 | 292,518 | (23,606) | 268,912 |
| Disposal of subsidiaries | 38 | — | — | — | 22,049 | 22,049 |
| Changes in ownership interests in subsidiaries without change of control | 42 | — | (27,048) | (27,048) | (2,312) | (29,360) |
| Share option scheme | 20 | — | 10,948 | 10,948 | — | 10,948 |
| Capital contributions by non-controlling interests of subsidiaries | | — | — | — | 52,117 | 52,117 |
| Dividend paid to non-controlling interests | | — | — | — | (7,266) | (7,266) |
| **Total transaction with owners in their capacity as owners** | | — | (16,100) | (16,100) | 64,588 | 48,488 |
| **Balance at 31 December 2022** | | 1,065 | 952,853 | 953,918 | (49,092) | 904,826 |
| **Balance at 1 January 2023** | | **1,065** | **952,853** | **953,918** | **(49,092)** | **904,826** |
| Profit for the year | | **—** | **363,803** | **363,803** | **38,172** | **401,975** |
| Other comprehensive income | | **—** | **375** | **375** | **—** | **375** |
| **Total comprehensive income** | | **—** | **364,178** | **364,178** | **38,172** | **402,350** |
| Share option scheme | 20 | **—** | **(3,247)** | **(3,247)** | **—** | **(3,247)** |
| Capital contributions by non-controlling interests of subsidiaries | | **—** | **—** | **—** | **7,250** | **7,250** |
| Dividend paid to non-controlling interests | | **—** | **—** | **—** | **(9,230)** | **(9,230)** |
| Special dividend declared | 46 | **—** | **(187,904)** | **(187,904)** | **—** | **(187,904)** |
| **Total transaction with owners in their capacity as owners** | | **—** | **(191,151)** | **(191,151)** | **(1,980)** | **(193,131)** |
| **Balance at 31 December 2023** | | **1,065** | **1,125,880** | **1,126,945** | **(12,900)** | **1,114,045** |

The notes on pages 120 to 210 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

| | Notes | Year ended 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 39(a) | **1,045,465** | 916,798 |
| Interest paid | | **(129,807)** | (141,495) |
| Income tax paid | | **(89,368)** | (68,930) |
| **Net cash generated from operating activities** | | **826,290** | 706,373 |
| **Cash flow from investing activities** | | | |
| Purchases of property and equipment | | **(339,216)** | (310,045) |
| Proceeds from disposal of property and equipment | 39(b) | **16,344** | 17,185 |
| Acquisition of financial assets at fair value through other comprehensive income | | **–** | (180,000) |
| Disposal of subsidiaries, net of cash disposed of | 38 | **–** | 127,982 |
| Consideration receivable received | | **50,000** | – |
| Withdrawal of restricted bank deposits | | **115,500** | 64,451 |
| Interest received | | **10,373** | 6,440 |
| **Net cash used in investing activities** | | **(146,999)** | (273,987) |
| **Cash flows from financing activities** | | | |
| Acquisition of interests in a subsidiary | | **–** | (29,360) |
| Capital contribution from non-controlling interests of subsidiaries | | **7,250** | 52,117 |
| Repayment of other financial liabilities | 24 | **(162,920)** | – |
| Proceeds from other borrowings | | **–** | 637,964 |
| Repayments of other borrowings | | **(25,719)** | (660,051) |
| Proceeds from bank borrowings | | **720,000** | 615,000 |
| Repayments of bank borrowings | | **(763,000)** | (870,997) |
| Principal elements of lease payments | | **(182,098)** | (232,641) |
| Dividend paid to non-controlling interests | | **(9,230)** | (7,266) |
| Dividend paid to shareholders | | **(177,004)** | – |
| **Net cash used in financing activities** | | **(592,721)** | (495,234) |
| **Net increase/(decrease) in cash and cash equivalents** | | **86,570** | (62,848) |
| Cash and cash equivalents at beginning of the year | | **720,141** | 771,264 |
| Exchange gains on cash and cash equivalents | | **4,499** | 11,725 |
| **Cash and cash equivalents at end of the year** | | **811,210** | 720,141 |

The notes on pages 120 to 210 are an integral part of these consolidated financial statements.

# 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. The areas where significant judgements and estimates have been made in preparing the consolidated financial statements are disclosed in Note 5.

# 2 Material accounting policies (continued)

## 2.1 Basis of preparation (continued)

### (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.

# 2 Material accounting policies (continued)

## 2.1 Basis of preparation (continued)

### (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.

## 2.2 Principles of consolidation

### 2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

# 2 Material accounting policies (continued)

## 2.2 Principles of consolidation (continued)

### 2.2.1 Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### 2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

### 2.2.3 Disposal of subsidiaries

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

# 2 Material accounting policies (continued)

## 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

## 2.4 Property and equipment

Property and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives, as follows:

| | Expected useful life |
|---|---|
| Buildings | Shorter of land lease or 30–50 years |
| Medical equipment | 5–8 years |
| General equipment | 5–10 years |
| Leasehold improvements | Shorter of lease term of 2–20 years or useful life |
| Others | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses)" in the consolidated statement of profit or loss.

Construction in progress represents property and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated above.

# 2 Material accounting policies (continued)

## 2.5 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.6 Investment and other financial assets

### 2.6.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

As at 31 December 2023 and 2022, "trade receivables", "other receivables", "amounts due from related parties", "restricted cash" and "cash and bank balances" in the consolidated balance sheet (Note 15, Note 16, Note 43(d) and Note 17) are measured at amortised cost. Financial assets at fair value through profit or loss (FVPL) and FVOCI are measured at fair value.

# 2 Material accounting policies (continued)

## 2.6 Investment and other financial assets (continued)

### 2.6.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### 2.6.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***Debt instruments***

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

# 2 Material accounting policies (continued)

## 2.6 Investment and other financial assets (continued)

### 2.6.3 Measurement (continued)

***Debt instruments (continued)***

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### 2.6.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) and 15 for further details.

## 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories include pharmaceuticals and medical and other consumables, the cost of which is measured at actual purchase price. It excludes borrowing costs. Inventory cost in the medical examination centres is determined using the weighted average method. Inventory cost in the hospital is determined using the first in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less costs necessary to make the sale.

## 2.8 Trade receivables and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.6 for further information about the Group's accounting for trade receivables and other receivables and a description of the Group's impairment policies.

# 2 Material accounting policies (continued)

## 2.9 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 2.10 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

# 2 Material accounting policies (continued)

## 2.12 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the areas where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

### (b) Deferred income tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# 2 Material accounting policies (continued)

## 2.12 Current and deferred income tax (continued)

### (b) Deferred income tax (continued)

Current and deferred tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.13 Employee benefits

### (a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

### (b) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

### (c) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period and recognised as employee benefit expense when they are due.

# 2 Material accounting policies (continued)

## 2.14 Share-based payments

Share-based compensation benefits are provided to employees via share option schemes. Information relating to these share option schemes is set out in Note 20.

**(a) Share option scheme**

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (eg the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares to employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

**(b) Share-based payment transactions among group entities**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

# 2 Material accounting policies (continued)

## 2.15 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Group leases various business premises, offices, medical equipment and land use rights. Rental contracts are typically made for fixed periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

# 2 Material accounting policies (continued)

## 2.15 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

# 2 Material accounting policies (continued)

## 2.15 Leases (continued)

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

## 2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered and pharmaceuticals sold. The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services/goods underlying the particular performance obligation is transferred to customers.

The Group has applied the practical expedients under HKFRS 15. Information related to the transaction price allocated to the remaining performance obligations has not been disclosed as the duration of the most contracts are one year or less.

Control of the services/goods is transferred over time or at a point in time.

# 2 Material accounting policies (continued)

## 2.16 Revenue recognition (continued)

### (a) Revenue from general hospital services and specialty hospital services

The Group offers outpatient and inpatient hospital services to customers. The Group recognises revenues when such services are provided to customers. Such services are including (i) provision of consultation services; (ii) provision of inpatient healthcare services; and (iii) sales of pharmaceutical. Both (i) provision of consultation services and (iii) sales of pharmaceutical for which the control of services or pharmaceutical is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed services or pharmaceutical and the Group has satisfied its performance obligations with present right to payment and the collection of the consideration is probable. For revenue from (ii) provision of inpatient healthcare services, the revenue is recognised over the time (i.e. over the service period) when customers simultaneously receive the services and consumes the benefits provided by the Group's performance as the Group performs.

### (b) Revenue from medical examination services

The Group offers medical examination and renders such services at the request of its customers. The Group recognises revenues at a point in time that the examination reports are issued and passed to the local couriers if hard copy reports are required by its customers, or at a point in time that the examination reports are uploaded online and can be viewed by the customers online if hard copy reports are not required. The Group notifies its customers when their examination reports are delivered to the local couriers or ready to be viewed and downloaded online.

For most of corporate customers, fees are collected after the completion of the medical examination services while most of individual customers prepay all of the service fees upon purchasing the medical examination cards, which are recognised as contract liabilities by the Group. The Group records accounts receivables from its corporate customers when the examination reports of the employees of corporate customers have been delivered or uploaded on line but the Group has not received remaining payments from the corporate customers. All fees for services rendered are first charged against the contract liabilities until the balances are entirely exhausted before the Group starts to invoice the corporate customers.

Management service revenue represented that the Group provides the management services to non-controlling interests. The revenue is recognised over time so as to depict the pattern of delivery of services.

## 2.17 Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

# 2 Material accounting policies (continued)

## 2.18 Provision and contingent liabilities

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 2.19 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method, is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

# 2 Material accounting policies (continued)

## 2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the related asset or deducted against the carrying amount of the asset. The grant income is recognized and presented in the consolidated statement of profit or loss by way of a reduced depreciation charge of the related asset over its useful life in the same period.

## 2.21 Earnings per share

**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

**(b) Diluted earnings per share**

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# 2 Material accounting policies (continued)

## 2.22 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

# 3 Financial risk management

## 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

### (a) Market risk

#### *(i) Foreign exchange risk*

The Group is engaged in the provision of general hospital service and medical examination services in PRC with almost all transactions denominated in RMB. In addition, the majority of the Group's assets and liabilities are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits denominated in Hong Kong Dollar ("**HKD**") and United States Dollar ("**USD**").

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2023, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB330,000 (2022: RMB869,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At 31 December 2023, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been RMB2,058,000 (2022: RMB2,759,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

#### *(ii) Cash flow and fair value interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from banks and other non-bank finance institutions.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 23.

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (a) Market risk (continued)

#### *(ii) Cash flow and fair value interest rate risk (continued)*

As at 31 December 2023 and 2022 if interest rates had risen/fallen by 50 basis points with all other variables held constant, the Group's net results for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Net results (decrease)/increase | | |
| — risen 50 basis points | **(2,068)** | (2,376) |
| — fallen 50 basis points | **2,068** | 2,376 |

### (b) Credit risk

The Group's credit risk arises from restricted cash, cash and cash equivalents, trade receivables and other receivables, amounts due from related parties and deposits for long-term leases. The concentration of credit risk of hospital segment is from the recoverability of trade receivables and other receivables. The credit risk of medical examination segment is from the length of the overdue period of trade receivables and other receivables by corporate customers. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents and restricted cash were deposited in the major financial institutions, which the directors believe are of high credit quality.

The Group established policies in place to ensure that the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. Management makes periodic assessment on the recoverability of trade receivables and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (b) Credit risk (continued)

***Impairment of financial assets***

The Group has below financial assets that are subject to the expected credit loss model.

- Trade receivables and other receivables
- Amounts due from related parties
- Deposits for long-term leases

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

***(i) Trade receivables***

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice date.

The expected loss rates are based on historical credit losses experienced which are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate and other factors in the PRC and accordingly adjusts the historical loss rates based on expected changes in these factors.

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (b) Credit risk (continued)

#### *(i) Trade receivables (continued)*

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

| As at 31 December 2023 | | Aging<br>Up to 6 months | 6 months to 1 year | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|---|
| Medical examination | Trade receivables carrying amount | 254,873 | 9,500 | 1,611 | 5,176 | 1,728 | |
| | Expected loss rate | 1.7% | 9.3% | 27.2% | 25.2% | 100% | |
| | Provision for impairment of trade receivables | (4,333) | (884) | (438) | (1,303) | (1,728) | (8,686) |
| General hospital — medical insurance | Trade receivables carrying amount | 29,945 | – | – | – | – | |
| | Expected loss rate | 20.0% | – | – | – | – | |
| | Provision for impairment of trade receivables | (6,000) | – | – | – | – | (6,000) |
| General hospital — non-medical insurance | Trade receivables carrying amount | 10,934 | 618 | 302 | 183 | 136 | |
| | Expected loss rate | 1.6% | 8.3% | 100% | 100% | 100% | |
| | Provision for impairment of trade receivables | (179) | (51) | (302) | (183) | (136) | (851) |
| Total provision for impairment of trade receivables | | | | | | | (15,537) |

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (b) Credit risk (continued)

#### *(i) Trade receivables (continued)*

| As at 31 December 2022 | | Aging: Up to 6 months | 6 months to 1 year | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|---|
| Medical examination | Trade receivables carrying amount | 254,204 | 4,057 | 5,240 | 558 | 1,196 | |
| | Expected loss rate | 1.8% | 8.8% | 19.0% | 23.3% | 100.0% | |
| | Provision for impairment of trade receivables | (4,596) | (357) | (996) | (130) | (1,196) | (7,275) |
| General hospital — medical insurance | Trade receivables carrying amount | 12,375 | — | — | — | — | |
| | Expected loss rate | 6.0% | — | — | — | — | |
| | Provision for impairment of trade receivables | (740) | — | — | — | — | (740) |
| General hospital — non-medical insurance | Trade receivables carrying amount | 8,885 | 356 | 297 | 232 | 352 | |
| | Expected loss rate | 1.4% | 5.9% | 100% | 100.0% | 100.0% | |
| | Provision for impairment of trade receivables | (123) | (21) | (297) | (232) | (352) | (1,025) |
| Total provision for impairment of trade receivables | | | | | | | (9,040) |

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (b) Credit risk (continued)

#### *(i) Trade receivables (continued)*

The loss allowances for trade receivables as at 31 December 2023 and 2022 reconcile to the opening loss allowances as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Opening loss allowance as at 1 January | **9,040** | 13,297 |
| Increase/(decrease) in trade receivable loss allowance recognised in profit or loss during the year | **9,036** | (3,444) |
| Disposal of subsidiaries | **—** | (6) |
| Receivables written off during the year as uncollectible | **(2,539)** | (807) |
| Closing loss allowance at 31 December | **15,537** | 9,040 |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years for medical examination business and 1 year for hospital business since invoice date.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (b) Credit risk (continued)

#### *(ii) Other financial assets at amortised cost*

Other financial assets at amortised cost include amount due from related parties, deposits for long term leases and other receivables.

Management considers deposits for long term leases do not have significant increase in credit risk since initial recognition, and the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property. For the remaining balance, given the short term nature of these assets, the ECL is had been provided under 12-month expected credit loss assessment given credit risk has not increase significantly since initial recognition. The management has made an ECL provision of RMB6,000 (2022: reversal of provision of RMB4,000) for the year ended 31 December 2023 after their assessment.

#### *(iii) Net impairment losses on financial assets recognised in profit or loss*

During the year, the following gains were recognised in profit or loss in relation to impaired financial assets:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Impairment losses/(reversals) on trade receivables | **9,036** | (3,444) |
| Impairment losses/(reversals) on other financial assets at amortised cost | **6** | (4) |
| Impairment losses/(reversals) on financial assets | **9,042** | (3,448) |

# 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

### (c) Liquidity risk

Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and issuing debt instruments and capital injection from shareholders, as necessary.

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2023** | | | | | |
| Borrowings, including interests | **661,395** | **102,887** | **138,453** | **–** | **902,735** |
| Lease liabilities | **278,397** | **257,961** | **672,024** | **616,614** | **1,824,996** |
| Amounts due to related parties | **132** | **–** | **–** | **–** | **132** |
| Trade and other payables | **541,229** | **–** | **–** | **–** | **541,229** |
| | **1,481,153** | **360,848** | **810,477** | **616,614** | **3,269,092** |
| **As at 31 December 2022** | | | | | |
| Borrowings, including interests | 666,285 | 100,416 | 231,017 | – | 997,718 |
| Lease liabilities | 279,421 | 253,558 | 663,347 | 568,066 | 1,764,392 |
| Amounts due to related parties | 133 | – | – | – | 133 |
| Other financial liabilities | 182,470 | – | – | – | 182,470 |
| Trade and other payables | 481,852 | – | – | – | 481,852 |
| | 1,610,161 | 353,974 | 894,364 | 568,066 | 3,426,565 |

The interest on borrowings is calculated based on borrowings held as at 31 December 2023 and 2022, respectively. Floating-rate interests are estimated using the current interest rate as at 31 December 2023 and 2022, respectively.

# 3 Financial risk management (continued)

## 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net cash divided by total capital. Net cash is calculated as total borrowings (including "current and non-current borrowings", "lease liabilities" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net cash.

The gearing ratios at 31 December 2023 and 2022 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Total borrowings and lease liabilities (Note 23, 25) | **2,266,551** | 2,298,550 |
| Less: Cash and cash equivalents (Note 17) | **(811,210)** | (720,141) |
| Net overall financing | **1,455,341** | 1,578,409 |
| Total equity | **1,114,045** | 904,826 |
| Total capital | **2,569,386** | 2,483,235 |
| Gearing ratio (%) | **56.64%** | 63.56% |

# 4 Fair value estimation

## 4.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements.To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2023 and 2022 on a recurring basis:

| **Recurring fair value measurements At 31 December 2023** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| — Unlisted equity securities | **—** | **—** | **1,500** | **1,500** |
| Financial assets at fair value through other comprehensive income | | | | |
| — Unlisted equity securities | **—** | **—** | **182,100** | **182,100** |
| **Total** | **—** | **—** | **183,600** | **183,600** |

| Recurring fair value measurements At 31 December 2022 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| — Unlisted equity securities | — | — | 1,500 | 1,500 |
| Financial assets at fair value through other comprehensive income | | | | |
| — Unlisted equity securities | — | — | 181,725 | 181,725 |
| **Total** | — | — | 183,225 | 183,225 |

As at 31 December 2023 and 2022, the fair value of financial assets at fair value through profit or loss is approximately equal to their carrying amount.

# 4 Fair value estimation (continued)

## 4.1 Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. There were no significant transfers of financial assets and liabilities between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

Unlisted equity securities classified as financial assets at fair value through profit or loss is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| **Opening and closing balance as at 31 December** | **1,500** | 1,500 |

# 4 Fair value estimation (continued)

## 4.1 Fair value hierarchy (continued)

The fair value of unlisted equity securities classified as financial assets at fair value through other comprehensive income is determined by the directors of the Company based on the valuation report prepared by the independent valuer with market approach using price to revenue ratio. It is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Opening balance as at 1 January | **181,725** | — |
| Acquisition during the year | **—** | 180,000 |
| Fair value change during the year | **375** | 1,725 |
| Closing balance as at 31 December | **182,100** | 181,725 |

One of the key significant unobservable inputs to determine the fair value of unlisted equity securities classified as financial assets at fair value through other comprehensive income is price to revenue ratio.

A higher price to revenue ratio would result in an increase in the fair value of unlisted equity securities classified as financial assets at fair value through other comprehensive income, and vice versa.

## 4.2 Fair values of other financial instruments

Fair value of trade receivables, other receivables, amounts due from related parties, trade and other payables, borrowings, lease liabilities, amounts due to related parties and other financial liabilities approximates to their carrying amounts.

# 5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## (a) Estimated useful lives and residual values of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property and equipment. This estimate is based on the historical experience of the actual useful lives of property and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

## (b) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

## (c) Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The expected loss rate was determined and disclosed in Note 3.1(b).

# 5 Critical accounting estimates and judgements (continued)

## (d) Provision for medical dispute

The Group may be subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical dispute claims brought by the patients. Provision for medical dispute claims is made based on the status of potential and active claims outstanding at the end of each reporting period, and take into consideration the assessment and analysis of external lawyer and the total claim exposure. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Based on the assessment, the management believes that no material claims exposure or outstanding litigation on the medical dispute claim existed at the end of each reporting period and accordingly no additional provision was made. The situation is closely monitored by the management and provision will be made as appropriate. Where the actual claims are greater than expected, a material dispute claim expense may arise, which would be recognised in statement of profit or loss for the period in which such a claim takes place.

## (e) Impairment of property and equipment and right-of-use assets

The Group performs impairment review if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment and right-of-use assets of the Group other than those related to certain medical examination centres which have been in operation for more than two years as at 31 December 2023 but incurred operating losses in recent years. When the carrying value of an asset or a group of assets exceeds the recoverable amount (the higher of the net amount of fair value less cost of disposal and the present value of estimated future cash flow), it indicates that an impairment has occurred. During the estimation of the present value of future cash flow, the management needs to estimate the future cash flow of the asset or group of assets, and select an appropriate revenue growth rate, profit margins, discount rate and assumptions used by the management to determine the present value of the future cash flow.

## (f) Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

— Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
— Level 2: observable inputs other than quoted prices included within Level 1; and
— Level 3: unobservable inputs are inputs for which market data are not available

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The Group measures the following items at fair value:

— Financial assets at fair value through profit or loss
— Financial assets at fair value through other comprehensive income

For more detailed information in relation to the fair value measurement of the items above, please refer to the respective notes and note 4.1.

# 6 Segment information

Management has determined the operating segments based on the information reviewed by the 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 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, which are described in more details in note 36 to the consolidated financial statements.

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 balance sheet dates.

## 6 Segment information (continued)

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 |

## 6 Segment information (continued)

| | 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 |

## 7 Property and equipment

| | Buildings RMB'000 | Medical equipment RMB'000 | General equipment RMB'000 | Leasehold improvements RMB'000 | Others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2022** | | | | | | | |
| Cost | 278,981 | 664,585 | 95,796 | 853,773 | 11,446 | 584,897 | 2,489,478 |
| Accumulated depreciation | (81,867) | (387,825) | (72,513) | (422,910) | (7,297) | – | (972,412) |
| Accumulated impairment losses | – | – | – | (18,076) | – | – | (18,076) |
| Net book amount | 197,114 | 276,760 | 23,283 | 412,787 | 4,149 | 584,897 | 1,498,990 |
| **Year ended 31 December 2022** | | | | | | | |
| Opening net book amount | 197,114 | 276,760 | 23,283 | 412,787 | 4,149 | 584,897 | 1,498,990 |
| Additions | 100 | 34,554 | 2,193 | 3,234 | 290 | 269,674 | 310,045 |
| Transfers | – | 32,325 | 7,204 | 45,625 | (69) | (85,625) | (540) |
| Disposals (Note 39(b)) | – | (3,393) | (405) | (11,910) | (1,622) | (125) | (17,455) |
| Disposals of subsidiaries (Note 38) | – | (12,363) | (1,803) | (114,737) | (45) | (137) | (129,085) |
| Written off | – | – | – | (54,754) | – | – | (54,754) |
| Depreciation (Note 32) | (7,865) | (79,397) | (10,051) | (64,717) | (593) | – | (162,623) |
| Closing net book amount | 189,349 | 248,486 | 20,421 | 215,528 | 2,110 | 768,684 | 1,444,578 |
| **At 31 December 2022** | | | | | | | |
| Cost | 279,081 | 695,066 | 97,224 | 593,022 | 7,924 | 768,684 | 2,441,001 |
| Accumulated depreciation | (89,732) | (446,580) | (76,803) | (359,418) | (5,814) | – | (978,347) |
| Accumulated impairment losses | – | – | – | (18,076) | – | – | (18,076) |
| Net book amount | 189,349 | 248,486 | 20,421 | 215,528 | 2,110 | 768,684 | 1,444,578 |
| **Year ended 31 December 2023** | | | | | | | |
| Opening net book amount | 189,349 | 248,486 | 20,421 | 215,528 | 2,110 | 768,684 | 1,444,578 |
| Additions | 128,732 | 7,384 | 7,748 | 5,795 | 1,757 | 187,800 | 339,216 |
| Transfers | 611,191 | 124,079 | 8,885 | 122,835 | 2,933 | (884,709) | (14,786) |
| Deduct against deferred income (Note 28) | (83,400) | – | – | – | – | – | (83,400) |
| Disposals (Note 39(b)) | (13,345) | (1,422) | (118) | – | – | (2,080) | (16,965) |
| Depreciation (Note 32) | (14,782) | (83,162) | (11,147) | (60,024) | (3,327) | – | (172,442) |
| Closing net book amount | 817,745 | 295,365 | 25,789 | 284,134 | 3,473 | 69,695 | 1,496,201 |
| **At 31 December 2023** | | | | | | | |
| Cost | 908,791 | 811,992 | 101,541 | 694,164 | 12,685 | 69,695 | 2,598,868 |
| Accumulated depreciation | (91,046) | (516,627) | (75,752) | (391,954) | (9,212) | – | (1,084,591) |
| Accumulated impairment losses | – | – | – | (18,076) | – | – | (18,076) |
| Net book amount | 817,745 | 295,365 | 25,789 | 284,134 | 3,473 | 69,695 | 1,496,201 |

# 7 Property and equipment (continued)

(a) Depreciation of property and equipment has been charged to the consolidated statement of profit or loss as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Continuing operations:** | | |
| Cost of sales | **155,985** | 124,945 |
| Distribution costs and selling expenses | **94** | 194 |
| Administrative expenses | **16,363** | 15,526 |
| **Discontinued operations** | **–** | 21,958 |
| | **172,442** | 162,623 |

(b) As at 31 December 2023, buildings with a total carrying amount of RMB122,772,000 (31 December 2022: RMB141,084,000) were pledged for the Group's borrowings (Note 23).

(c) As at 31 December 2023, equipment with a total carrying amount of RMB9,701,000 (2022: RMB58,757,000) are pledged for the Group's borrowings (Note 23).

(d) Management is required to perform impairment review if a potential impairment is indicated. For the purpose of performing the recoverability assessment on the property and equipment and right-of-use assets for these medical examination centres, as these assets do not generate cash flow independently, management identified each of medical examination centres as a Cash Generating Unit ("**CGU**"). The recoverable amount of the underlying CGU was determined based on the value-in-use ("**VIU**") calculations.

The calculations use cash flow projections based on financial budgets approved by management with average pre-tax discount rate of 15% (2022:15%) as at 31 December 2023. Other key assumptions for the VIU calculations included but not limited to revenue growth rate, profit margins, etc., which are determined based on the CGUs' past performance and management's expectations for the market development.

For the year ended 31 December 2023 and 2022, there was no impairment loss recognised.

(e) As at 31 December 2023, there is no cumulative capitalised borrowing costs in construction in progress (2022: RMB70,141,000).

## 8 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 RMB'000 | Equipment RMB'000 | Land use rights RMB'000 | Total 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 (Note 38) | (273,048) | — | — | (273,048) |
| Modification | 912 | — | — | 912 |
| Disposal | (4,790) | — | — | (4,790) |
| Depreciation (Note 32) | (210,549) | (5,408) | (100) | (216,057) |
| Closing net book amount | 1,201,629 | 15,005 | 2,898 | 1,219,532 |

## 8 Right-of-use assets (continued)

| | Properties RMB'000 | Equipment RMB'000 | Land use rights RMB'000 | Total 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 (Note 32) | (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 (Note 23).

## 9 Intangible assets

| | Computer software RMB'000 | Goodwill RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2022** | | | |
| Cost | 38,617 | 7,447 | 46,064 |
| Accumulated amortisation | (27,746) | — | (27,746) |
| Accumulated impairment losses | — | (7,447) | (7,447) |
| Net book amount | 10,871 | — | 10,871 |
| **Year ended 31 December 2022** | | | |
| Opening net book amount | 10,871 | — | 10,871 |
| Transfer from construction in progress | 540 | — | 540 |
| Written off | (824) | — | (824) |
| Disposal of subsidiaries (Note 38) | (1,827) | — | (1,827) |
| Amortisation (Note 32) | (3,372) | — | (3,372) |
| Closing net book amount | 5,388 | — | 5,388 |
| **At 31 December 2022 and 1 January 2023** | | | |
| Cost | 32,554 | 7,447 | 40,001 |
| Accumulated amortisation | (27,166) | — | (27,166) |
| Accumulated impairment losses | — | (7,447) | (7,447) |
| Net book amount | 5,388 | — | 5,388 |
| **Year ended 31 December 2023** | | | |
| Opening net book amount | 5,388 | — | 5,388 |
| Transfer from construction in progress (Note 7) | 14,786 | — | 14,786 |
| Written off | (11) | — | (11) |
| Amortisation (Note 32) | (2,305) | — | (2,305) |
| Closing net book amount | 17,858 | — | 17,858 |
| **At 31 December 2023** | | | |
| Cost | 47,329 | 7,447 | 54,776 |
| Accumulated amortisation | (29,471) | — | (29,471) |
| Accumulated impairment losses | — | (7,447) | (7,447) |
| Net book amount | 17,858 | — | 17,858 |

## 9 Intangible assets (continued)

Management is required to perform impairment review if a potential impairment is indicated. For the purpose of performing the recoverability assessment on the intangible assets for these medical examination centres and hospitals as these assets do not generate cash flow independently, management identified each of medical examination centres and hospitals as a Cash Generating Unit ("**CGU**"). The recoverable amount of the underlying CGU was determined based on the value-in-use ("**VIU**") calculations.

The calculations use cash flow projections based on financial budgets approved by management with average pre-tax discount rate of 15% (2022: 15%) as at 31 December 2023. Other key assumptions for the VIU calculations included but not limited to revenue growth rate, profit margins, etc., which are determined based on the CGUs' past performance and management's expectations for the market development.

For the year ended 31 December 2023 and 2022, there was no impairment loss recognised.

## 10 Investments accounted for using equity method

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Opening balance | **9,122** | 8,703 |
| Share of results | **958** | 419 |
| Ending balance | **10,080** | 9,122 |

The particulars of the joint venture and associate of the Group during the years, which are unlisted, are set out as follows:

| Company name | Country/date of incorporation and operation | Paid-in capital | Equity interests held As at 31 December 2023 | 2022 | Principal activities | Nature of relationship | Measurement method |
|---|---|---|---|---|---|---|---|
| Shanghai Rich Meidi Management Consulting Co.,Ltd. ("**Shanghai Meidi**") (a) | 29 October 2013, Shanghai, the PRC | RMB15,000,000 | **60%** | 60% | Investment holding | Joint Venture | Equity method |
| Neijiang Ruichuan Clinic Co.,Ltd ("**Neijiang Ruichuan**") (b) | 29 March 2017, Sichuan, the PRC | RMB14,313,000 | **20%** | 20% | Examination service | Associate | Equity method |

# 10 Investments accounted for using equity method (continued)

## Summarised financial information

| | Shanghai Meidi | | Neijiang Ruichuan | |
|---|---|---|---|---|
| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
| Profit for the year | **864** | 1,129 | **2,197** | (1,291) |
| Other comprehensive income | **—** | — | **—** | — |
| Total comprehensive income | **864** | 1,129 | **2,197** | (1,291) |

Notes:

(a) On 29 October 2013, the Group and Medical Care Service Company Inc., a company incorporated in Japan and a third party, jointly established Shanghai Meidi with a total paid-in capital of RMB10,000,000.

On 19 August 2014, Nantong Rich Meidi Elderly Care Centre Co., Ltd. (南通瑞慈美邸護理院有限公司) ("**Nantong Meidi**") was incorporated by Shanghai Meidi as its wholly-owned subsidiary, which is principally engaged in providing high-end elderly care services.

The registered capital of Shanghai Meidi was increased from RMB10,000,000 to RMB15,000,000 upon approval by the board of directors and the local government in December 2015. The additional paid-in capital of RMB5,000,000 was subsequently injected to Shanghai Meidi by the Group and Medical Care Service Company Inc. in January 2016 in proportion to their respective equity interests.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Shanghai Meidi. Under HKFRS 11, this joint arrangement is classified as a joint venture.

(b) On 29 March 2017, the Group, Zhonghengji Investment Group Co., Ltd (中恒基投資集團有限公司) and Neijiang Yulinglong Property Co., Ltd (內江市玉玲瓏置業有限公司), both third parties, established Neijiang Ruichuan with a total paid-in capital of RMB14,313,000. The Group injected total RMB2,863,000 in proportion to its respective equity interests in 2017 and 2018.

As at 31 December 2023 and 2022, there are no material commitments and contingent liabilities in respect of associate and joint venture.

# 11 Financial assets at fair value through other comprehensive income

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Unlisted equity investments | **182,100** | 181,725 |

The Group designated its unlisted equity investments at financial assets at fair value through other comprehensive income as below, as those investments are held for long term strategic purposes.

## 11 Financial assets at fair value through other comprehensive income (continued)

As at 31 December 2023, the unlisted equity investments represented 1.17% (2022: 1.19%) equity interest in Unicorn II Holdings Limited ("**Unicorn**"). Particulars of the Group's investments in Unicorn are as follows:

| Name | Country of incorporation | Particulars of issued shares held | Number of shares held by the Group | Percentage of ownership interest attributable to the Group |
|---|---|---|---|---|
| Unicorn II Holdings Limited | Cayman Islands | Ordinary Share | 1,672,140 | 1.17% (2022: 1.19%) |

During the year, the increase in fair value of financial assets at fair value through other comprehensive income of RMB375,000 (2022: RMB1,725,000) has been dealt with in other comprehensive income and FVOCI reserve. There is no transfer of cumulative gain or loss within equity during the year.

During the year ended 31 December 2023, Unicorn has issued additional ordinary shares of 1,316,635 for fund raising. As such, the effective percentage of shareholding by the Group decreased from 1.19% in 2022 to 1.17% in 2023.

## 12 Deposits for long-term leases

The Group paid refundable deposits for leases of certain medical examination centres, which are due over 1 year from balance sheet date and are recoverable at the end of the lease term.

## 13 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 |

## 13 Deferred tax assets (continued)

Movement in deferred tax assets for both years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

| Movement | Tax losses | Right-of-use assets and lease liabilities | Deferred income | Assets impairment | Others | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2022** | 138,572 | 41,592 | 1,401 | 4,656 | 27,267 | 213,488 |
| (Charged)/credited to the consolidated statement of profit or loss | (35,931) | 5,108 | — | 700 | 265 | (29,858) |
| Disposal of subsidiaries | (46,834) | (11,990) | — | — | — | (58,824) |
| **At 31 December 2022** | 55,807 | 34,710 | 1,401 | 5,356 | 27,532 | 124,806 |
| **At 1 January 2023** | **55,807** | **34,710** | **1,401** | **5,356** | **27,532** | **124,806** |
| (Charged)/credited to the consolidated statement of profit or loss (Note 35) | **(14,483)** | **2,766** | **(1,401)** | **1,476** | **(3,253)** | **(14,895)** |
| **At 31 December 2023** | **41,324** | **37,476** | **—** | **6,832** | **24,279** | **109,911** |

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB86,503,000 (2022: RMB88,718,000) in respect of tax losses amounting to RMB346,014,000 (2022: RMB354,873,000) as at 31 December 2023. All these tax losses will expire within five years.

## 14 Inventories

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Pharmaceuticals | **24,491** | 23,451 |
| Medical and other consumables | **12,905** | 15,276 |
| | **37,396** | 38,727 |

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB343,371,000 for the year ended 31 December 2023 (2022: RMB344,281,000).

## 15 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 |

Movements of loss allowance for trade receivables are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **9,040** | 13,297 |
| Increase/(decrease) in loss allowance | **9,036** | (3,444) |
| Receivables written off as uncollectible | **(2,539)** | (807) |
| Disposal of subsidiaries | **—** | (6) |
| At the end of the year | **15,537** | 9,040 |

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

## 16 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.

# 17 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.

# 18 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.

## 19 Share capital

Ordinary shares, issued and fully paid:

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

## 20 Share-based payments

a. The Group approved and launched a share option scheme on 19 September 2016. Pursuant to the share option scheme, two directors and one employee were granted the share options to subscribe for up to 47,710,500 shares of the Company. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of any share option is fixed at HKD1.60.

   As at 31 December 2023, 47,710,500 (2022: 47,710,500) outstanding options were not exercised, among which all options have been vested. These options with an exercise price of HKD1.60 per share upon vesting will be expired on 19 September 2026.

   The fair value of the options granted was HKD65,573,946, which was subject to a number of assumptions and with regard to the limitation of the model. The options have been divided into four tranches according to different vesting periods.

## 20 Share-based payments (continued)

b. Another share option scheme was conditionally approved and adopted pursuant to a resolution of the shareholders of the Company passed on September 19, 2016. On and subject to the terms of the share option scheme, the board shall be entitled at any time within ten years after 19 September, 2016 to offer to grant to any non-executive director or independent non-executive director of the Company or any eligible employees of the Company as the board may in its absolute discretion select, and subject to such conditions as the board may think fit, an option to subscribe for such number of shares as the board may determine at the subscription price. One director and ten employees were granted the share options to subscribe for up to 79,517,500 shares of the Company on 24 November 2017. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of the share options is fixed at HKD2.42.

As at 31 December 2023, 46,200,000 (2022: 64,360,000) outstanding options were not exercised, among which all (2022: 47,710,500) options have been vested. These options with an exercise price of HKD2.42 per share upon vesting will be expired on 24 November 2027.

The fair value of the options granted was HKD50,358,000, which was subject to a number of assumptions and with regard to the limitation of the model. The options have been divided into four tranches according to different vesting periods.

During the year ended 31 December 2023, 18,160,000 options were forfeited because of resignation of two employees.

Reversal of share option expenses of RMB3,247,000 (2022: share option expenses of RMB10,948,000) has been included in the consolidated statement of profit or loss for the year ended 31 December 2023. It gave rise to a share option scheme reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

# 21 Reserves

| | Share premium RMB'000 | Merger and capital reserves RMB'000 | Statutory reserves and other reserves (a) RMB'000 | FVOCI reserves RMB'000 | Share option scheme RMB'000 | Retaining earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2022** | 715,292 | (306,132) | 209,219 | – | 99,724 | (41,668) | 676,435 |
| Profit for the year | – | – | – | – | – | 290,793 | 290,793 |
| Other comprehensive income | – | – | – | 1,725 | – | – | 1,725 |
| Appropriation to statutory reserves (b) | – | – | 17,483 | – | – | (17,483) | – |
| Change in ownership interest in subsidiaries without loss of control (Note 42) | – | (27,048) | – | – | – | – | (27,048) |
| Share option scheme (Note 20) | – | – | – | – | 10,948 | – | 10,948 |
| **At 31 December 2022** | 715,292 | (333,180) | 226,702 | 1,725 | 110,672 | 231,642 | 952,853 |
| **At 1 January 2023** | **715,292** | **(333,180)** | **226,702** | **1,725** | **110,672** | **231,642** | **952,853** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **363,803** | **363,803** |
| Other comprehensive income | **–** | **–** | **–** | **375** | **–** | **–** | **375** |
| Appropriation to statutory reserves (b) | **–** | **–** | **87,785** | **–** | **–** | **(87,785)** | **–** |
| Special dividend declared (Note 46) | **(187,904)** | **–** | **–** | **–** | **–** | **–** | **(187,904)** |
| Share option scheme (Note 20) | **–** | **–** | **–** | **–** | **(13,010)** | **9,763** | **(3,247)** |
| **At 31 December 2023** | **527,388** | **(333,180)** | **314,487** | **2,100** | **97,662** | **517,423** | **1,125,880** |

a. Statutory reserves and other reserves included the retained earnings of Nantong Rich Hospital as at 30 June 2014 amounted to RMB138,950,000 when Nantong Rich Hospital ceased to be a "not-for-profit medical organization". It is non-distributable and shall be used for the hospital's future development according to the requirements of local authorities.

b. In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("**SSR**") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be ummariz to offset prior years' losses or to increase paid-in capital.

# 22 Non-controlling interests

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **At 1 January** | **(49,092)** | (90,074) |
| Profit/(loss) for the year | **38,172** | (23,606) |
| Disposal of subsidiaries (Note 38) | **—** | 22,049 |
| Capital contributions by non-controlling interests of a subsidiary | **7,250** | 52,117 |
| Changes in ownership interests in subsidiaries without change of control (Note 42) | **—** | (2,312) |
| Dividend paid to non-controlling interests | **(9,230)** | (7,266) |
| **At 31 December** | **(12,900)** | (49,092) |

## a. Subsidiaries that have non-controlling interests that are material to the Group

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| Summarised balance sheet | Shanghai Rich Ruimin Clinic Co., Ltd. ("Shanghai Ruimin")<br>31 December 2023<br>RMB'000 | Wuhan Rich Ruiyue Clinic Co., Ltd. ("Wuhan Ruiyue")<br>31 December 2023<br>RMB'000 | Shenzhen Rich Ruizhou Medical Medical Center. ("Shenzhen Ruizhou")<br>31 December 2023<br>RMB'000 | Yantai Rich Ruigao Clinic Co.,Ltd. ("Yantai Ruigao")<br>31 December 2022<br>RMB'000 | Changsha Rich Ruishang Healthcare Management Co., Ltd. ("Changsha Management")<br>31 December 2022<br>RMB'000 |
|---|---|---|---|---|---|
| Current assets | 52,971 | 12,540 | 46,917 | 191 | 16,484 |
| Current liabilities | (39,225) | (13,383) | (63,166) | (25,804) | (68,158) |
| **Net current assets/(liabilities)** | 13,746 | (843) | (16,249) | (25,613) | (51,674) |
| Non-current assets | 22,870 | 21,094 | 50,850 | 510 | 47,519 |
| Non-current liabilities | (12,503) | (12,673) | (30,040) | (850) | (29,265) |
| **Net non-current assets/(liabilities)** | 10,367 | 8,421 | 20,810 | (340) | 18,254 |
| **Net assets/(liabilities)** | 24,113 | 7,578 | 4,561 | (25,953) | (33,420) |
| **Accumulated non-controlling interests** | 7,234 | (1,285) | (2,960) | (13,967) | (21,374) |

## 22 Non-controlling interests (continued)

### a. Subsidiaries that have non-controlling interests that are material to the Group (continued)

| Summarised statement of comprehensive income | Shanghai Ruimin For the year ended 31 December 2023 RMB'000 | Wuhan Ruiyue For the year ended 31 December 2023 RMB'000 | Shenzhen Ruizhou For the year ended 31 December 2023 RMB'000 | Yantai Ruigao For the year ended 31 December 2022 RMB'000 | Changsha Management For the year ended 31 December 2022 RMB'000 |
|---|---|---|---|---|---|
| Revenue | 63,681 | 39,984 | 35,216 | 4 | 35,163 |
| Profit/(loss) for the year | 17,959 | 8,931 | 12,406 | (72) | 1,552 |
| Other comprehensive income | — | — | — | — | — |
| **Total comprehensive income/(loss)** | 17,959 | 8,931 | 12,406 | (72) | 1,552 |
| **Profit/(loss) allocated to non-controlling interests** | 5,388 | 4,376 | 3,722 | (35) | 761 |

| Summarised cash flows | Shanghai Ruimin For the year ended 31 December 2023 RMB'000 | Wuhan Ruiyue For the year ended 31 December 2023 RMB'000 | Shenzhen Ruizhou For the year ended 31 December 2023 RMB'000 | Yantai Ruigao For the year ended 31 December 2022 RMB'000 | Changsha Management For the year ended 31 December 2022 RMB'000 |
|---|---|---|---|---|---|
| Cash flows from operating activities | (200) | (267) | (253) | (2) | (508) |
| Cash flows from investing activities | — | — | — | — | — |
| Cash flows from financing activities | — | — | — | — | — |
| Net decrease in cash and cash equivalents | (200) | (267) | (253) | (2) | (508) |

## 23 Borrowings

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

The Group's borrowing were repayable as follows:

| | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| Bank borrowings | **638,000** | **90,000** | **122,000** | **850,000** |
| Other borrowings | **9,466** | **7,140** | **—** | **16,606** |
| | **647,466** | **97,140** | **122,000** | **866,606** |
| **31 December 2022** | | | | |
| Bank borrowings | 589,000 | 80,000 | 224,000 | 893,000 |
| Other borrowings | 26,166 | 9,250 | 6,909 | 42,325 |
| | 615,166 | 89,250 | 230,909 | 935,325 |

# 23 Borrowings (continued)

(a) As at 31 December 2023, short-term borrowings include:

i. RMB160,000,000 (2022: RMB120,000,000) borrowings secured by the Group's buildings with net book value of RMB31,034,000 (2022: RMB32,758,000) (Note 7);

ii. RMB20,000,000 (2022: RMB20,000,000) borrowings secured by the Group's buildings with net book value of RMB31,630,000 (2022: 32,952,000) (Note 7); and

iii. RMB158,000,000 (2022: RMB113,000,000) borrowings secured by the Group's land use rights with net book value of RMB2,798,000 (2022: RMB2,898,000) (Note 8) and buildings with net book value of RMB60,108,000 (2022: RMB75,374,000) (Note 7).

All the short-term and long-term bank borrowings are also guaranteed by the Company's subsidiaries for each other.

(b) Other borrowings are secured by the Group's equipment with net book value of RMB9,701,000 (2022: RMB58,757,000) and are also guaranteed by the Company's subsidiaries for each other.

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

The weighted average effective interest rates for bank and other borrowings as at 31 December 2023 and 2022 were as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Bank borrowings | **3.82%** | 4.62% |
| Other borrowings | **6.15%** | 5.70% |

## 24 Other financial liabilities

| | As at 31 December 2022 RMB'000 |
|---|---|
| Redemption liability | |
| — Principal | 100,000 |
| — Interest | 62,920 |
| | 162,920 |

On 31 August 2018, the Group signed an investment agreement ("**Investment Agreement**") with Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership)("**Everbright (Haimen)**"), pursuant to which Everbright (Haimen) would contribute RMB100,000,000 in cash to Nantong Rich Hospital, a then wholly owned subsidiary of the Company. Everbright (Haimen) was also granted a put option which will expire on 31 December 2023. Upon completion of such investment, Everbright (Haimen) would have 4.41% equity interest of Nantong Rich Hospital.

The option enables Everbright (Haimen) to request the Group to repurchase all of the Everbright (Haimen)'s equity interest in Nantong Rich Hospital if Nantong Rich Hospital fails to achieve a net profit of no less than RMB100,000,000 for the year ended 31 December 2022 or occurrence of any material adverse event as specified in the Investment Agreement, including but not limited to those would have material adverse effect to the ownership, assets and operations of Nantong Rich Hospital. The repurchase price is at aggregation of the amount equivalent to the capital contribution made by Everbright (Haimen) in the Nantong Rich Hospital and accumulated annual returns calculated on an annual compound investment return rate of 12% less the cumulative dividend paid to Everbright (Haimen) up to repurchase.

The execution of option right is secured by 22.06% equity interest of Nantong Rich Hospital held by the Group. Dr. Fang and Dr. Mei undertook to jointly and severally responsible for the repurchase.

The above arrangement is the financing arrangement in substance. The balance as at 31 December 2022 represents an obligation for the Group to purchase its own equity instruments for cash or another financial asset, that is recognised as a financial liability at present value of the redemption amount.

During the year ended 31 December 2023, Everbright (Haimen) has 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 has been made by the Group on 17 January 2023 and the remaining payment was made on 31 January 2023. Details of the transactions are set out in the Company's announcement dated 16 January 2023.

## 25 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 years 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 |

## 26 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 |

Sales of medical examination cards represent the prepayments received from patients and customers and will be recognised in profit or loss when medical examination services are rendered to the relevant customers.

Revenue will be recognised when the relevant services are rendered to the customers. The amount of revenue recognised for the year ended 31 December 2023 that was included in the contract liabilities as at 31 December 2022 was RMB221,267,000 (2022: RMB156,694,000).

## 27 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 received | **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 |

Notes:

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.

## 28 Deferred income

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **97,136** | 99,681 |
| Deduct against the cost of property and equipment (Note 7) (Note (i)) | **(83,400)** | — |
| Recognised in the profit or loss during the year (Note (ii)) | **(8,083)** | (2,545) |
| At the end of the year | **5,653** | 97,136 |

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Current liabilities | **1,958** | 6,840 |
| Non-current liabilities | **3,695** | 90,296 |
| At the end of the year | **5,653** | 97,136 |

Notes:

(i) During the year ended 31 December 2023, Nantong Rich Hospital Expansion II project has been completed and started to use. The related deferred income are deducted against the carrying amount of the property and equipment.

(ii) The grant income is recognised and presented in to the consolidated statement of profit or loss by way of a reduced depreciation charge of the related asset over its useful life in the same period.

These government grants were asset related and hence deferred and recognised in profit or loss on a systemic basis over the useful lives of the assets.

## 29 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 |

No customer individually contributed over 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

## 30 Other income

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Continuing operations** | | |
| Government grants (note) | **14,103** | 13,731 |
| Rental income | **865** | 850 |
| Others | **11,661** | 7,457 |
| | **26,629** | 22,038 |

## 30 Other income (continued)

Notes:

Government grants mainly represent:

i. the relevant amortised portion of subsidies from Nantong Economic and Technological Development Zone Management Committee of RMB6,850,000 (2022: RMB1,601,000) during the year ended 31 December 2023 for purchasing medical equipments;

ii. the relevant amortised portion of subsidies from Nantong Finance Bureau of RMB950,000 (2022: Nil) during the year ended 31 December 2023 for purchasing medical equipments, supporting development in key clinical specialty and fostering medical talent;

iii. subsidies from Nantong Economic and Technological Development Zone Finance Bureau of RMB887,000 (2022: Nil) during the year ended 31 December 2023 for support in offering PCR Test in the Development Zone;

iv. the relevant amortised portion of subsidies from Shanghai Qingpu Development and Reform Commission of RMB230,000 (2022: RMB944,000) during the year ended 31 December 2023 for construction of medical examination platform;

v. the other government grants in total of RMB5,186,000 for the year ended 31 December 2023 (2022: RMB3,794,000) from local government;

vi. subsidies from Nantong Economic and Technological Development Zone Finance Bureau of RMB6,500,000 during the year ended 31 December 2022 for scholarships and rewards; and

vii. subsidies from Nantong Municipal Finance and Social Security Bureau of RMB892,000 during the year ended 31 December 2022 for health human resources development.

## 31 Other losses

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Continuing Operations** | | |
| Losses on disposal of property and equipment (Note 39(b)) | **621** | 270 |
| Others | **5,126** | 11,484 |
| | **5,747** | 11,754 |

## 32 Expenses by nature

| | Year ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| **Continuing operations** | | |
| Employee benefit expenses (Note 33) | **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 |

# 33 Employee benefits expense (including directors and senior management's emoluments)

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Continuing operations** | | |
| Salaries, wages and bonuses | **943,396** | 770,558 |
| Other welfare benefit expenses | **25,961** | 19,971 |
| (Reversal of)/share option expenses (Note 20) | **(3,247)** | 10,948 |
| Pension | **131,911** | 99,732 |
| | **1,098,021** | 901,209 |

## (a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

| Name of director | Fees | Salaries and other allowances | Discretionary bonus | Retirement scheme contributions | Other social welfares | Share option scheme | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Year ended 31 December 2022:** | | | | | | | |
| Dr. Fang | – | 282 | – | 68 | 14 | 1,574 | 1,938 |
| Dr. Mei | – | 784 | 90 | – | 64 | 1,574 | 2,512 |
| Mr. Fang Haoze | – | 255 | 144 | 88 | 23 | – | 510 |
| Ms. Lin Xiaoying | – | 358 | 144 | 106 | 27 | – | 635 |
| Dr. Wang Yong | 180 | – | – | – | – | – | 180 |
| Ms. Wong Sze Wing | 180 | – | – | – | – | – | 180 |
| Mr. Jiang Peixing | 150 | – | – | – | – | – | 150 |
| | 510 | 1,679 | 378 | 262 | 128 | 3,148 | 6,105 |

# 33 Employee benefits expense (including directors and senior management's emoluments) (continued)

## (a) Directors' and chief executive's emoluments (continued)

| Name of director | Fees RMB'000 | Salaries and other allowances RMB'000 | Discretionary bonus RMB'000 | Retirement scheme contributions RMB'000 | Other social welfares RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2023:** | | | | | | |
| Dr. Fang | – | 483 | – | 74 | 14 | 571 |
| Dr. Mei | – | 1,150 | 50 | – | 64 | 1,264 |
| Mr. Fang Haoze | – | 313 | 144 | 102 | 27 | 586 |
| Ms. Lin Xiaoying | – | 441 | 144 | 109 | 29 | 723 |
| Dr. Wang Yong | 180 | – | – | – | – | 180 |
| Ms. Wong Sze Wing | 180 | – | – | – | – | 180 |
| Mr. Jiang Peixing | 150 | – | – | – | – | 150 |
| | 510 | 2,387 | 338 | 285 | 134 | 3,654 |

## (b) Five highest paid individuals

During the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group include one (2022: two) director for the year ended 31 December 2023 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2022: three) individuals are as follows:

| | Year ended 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Basic salaries, housing allowances, other allowances and benefits in kind | **2,669** | 1,819 |
| Share option scheme | **996** | 2,428 |
| Pension | **244** | 256 |
| | **3,909** | 4,503 |

## 33 Employee benefits expense (including directors and senior management's emoluments) (continued)

### (b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Emoluments bands (in HKD) | | |
| 500,001 to 1,000,000 | **1** | 2 |
| 1,000,001 to 1,500,000 | **3** | — |
| 1,500,001 to 2,000,000 | **—** | — |
| 2,000,001 to 2,500,000 | **—** | — |
| 2,500,001 to 3,000,000 | **—** | — |
| 3,000,001 to 3,500,000 | **—** | 1 |

(c) During the years, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for left of office (2022: Nil).

(d) No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (2022: Nil).

### (e) Directors' material interests in transactions, arrangements or contracts

Except the matter disclosed in Note 43, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2023 and 2022.

# 34 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 (Note 24) | **(1,088)** | (17,456) |
| | **(129,807)** | (143,917) |
| Amount capitalised (note (i)) | **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) |

Note:

**Capitalised borrowing costs**

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 0.61% (2022: 5.67%).

## 35 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 (Note 13) | **14,895** | (66) |
| Income tax expense | **143,657** | 84,041 |

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Continuing operations** | | |
| Profit before income tax | **545,632** | 327,190 |
| Tax calculated at the applicable income tax rate (25%) | | |
| Tax effect of: | **136,408** | 81,797 |
| Different tax rates of a subsidiary | **(446)** | (1,039) |
| Expenses not deductible for tax purpose | **3,366** | 3,867 |
| Tax losses not recognised as deferred tax assets | **13,214** | 9,733 |
| Utilisation of prior year tax losses and temporary differences not recognised as deferred tax assets | **(14,089)** | (13,126) |
| Temporary differences not recognised as deferred tax assets | **(1,510)** | 2,231 |
| Income not subject to tax | **(111)** | — |
| Adjustment for current tax of prior years | **(1,167)** | (1,259) |
| Others | **7,992** | 1,837 |
| Income tax expense | **143,657** | 84,041 |

## 35 Income tax expense (continued)

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%.

The Company is registered in the Cayman Islands, and hence is not subject to enterprise income tax. Two subsidiaries in the Group registered in the British Virgin Islands are not subject to enterprise income tax.

No provision for Hong Kong profits tax has been made as the Group does not have assessable profits subject to Hong Kong profits tax during the years ended 31 December 2023 and 2022.

The PRC corporate income tax law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 31 December 2023 and 2022 will not be distributed in the foreseeable future.

## 36 Discontinued operations

During the year ended 31 December 2022, the Group has completed disposing the business of specialty hospitals ("**specialty hospitals service**") to an independent third party.

Specialty hospitals service represented the separate line of major business and is classified as discontinued operations for the year ended 31 December 2022.

The carrying amount of the assets and liabilities of the subsidiaries, including Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("**Changzhou Hospital**"), Rici Shuixian and Wuxi Rich Obstetrics at the dates of disposal are disclosed in Notes 38(a), 38(b) and 38(c), respectively.

# 36 Discontinued operations (continued)

The results of the specialty hospitals service business operations for the period from 1 January 2022 to the dates of disposal, which have been included in the consolidated statement of profit or loss, were as follows.

| | Year ended 31 December 2022 RMB'000 |
|---|---|
| **Revenue** | 89,779 |
| Cost of sales | (127,927) |
| **Gross loss** | (38,148) |
| Distribution costs and selling expenses | (21,464) |
| Administrative expenses | (74,325) |
| Other income | 697 |
| Other losses | (2,403) |
| **Operating loss** | (135,643) |
| Finance costs | (18,442) |
| Finance income | 19 |
| Finance costs — net | (18,423) |
| **Loss before income tax** | (154,066) |
| Gain on disposal of subsidiaries (Note 38) | 208,028 |
| Income tax expenses | (29,924) |
| **Profit for the year from discontinued operations** | 24,038 |
| **Cash flows from discontinued operations:** | |
| Operating cash inflows | 2,715 |
| Investing cash outflows | (140,729) |
| Financing cash outflows | (7,122) |
| **Total cash flows** | (145,136) |

# 37 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:

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

ii. 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.

# 38 Disposal of subsidiaries

As referred to in Note 36, the Group discontinued its business of specialty hospitals at the dates of disposal of its subsidiaries.The net assets of these subsidiaries at the dates of disposal were as follows.

## (a) Disposal of Changzhou Hospital and its subsidiaries

On 1 June 2022 the Group entered into an agreement with an independent third party to dispose of its 57.92% equity interest of Changzhou hospital and its subsidiaries at cash consideration of RMB27,110,000. Gain on disposal amounted to RMB758,000 was analysed as follows:

| | Year ended 31 December 2022 RMB'000 |
|---|---|
| **Net assets disposed of:** | |
| Property and equipment (Note 7) | 83,109 |
| Right of use assets (Note 8) | 48,203 |
| Intangible assets (Note 9) | 1,277 |
| Cash and cash equivalents | 3,255 |
| Trade receivables | 505 |
| Other receivables | 13,499 |
| Inventories | 2,445 |
| Trade and other payables | (19,329) |
| Borrowings | (16,753) |
| Lease liabilities | (70,712) |
| | 45,499 |
| Add: Release of non-controlling interests | (19,147) |
| Less: Proceeds from disposal | (27,110) |
| Gain on disposal (Note 36) | (758) |
| Net cash inflows arising on disposal: | |
| Cash consideration received | 27,110 |
| Cash at bank disposed of | (3,255) |
| | 23,855 |

The cash consideration of RMB27,110,000 for the disposal had been fully received by the Group for the year ended 31 December 2022.

# 38 Disposal of subsidiaries (continued)

## (b) Disposal of Rici Shuixian and its subsidiaries

On 18 August 2022, the Group entered into an agreement with an independent third party to dispose of its 60% equity interest of Rici Shuixian and its subsidiaries at cash consideration of RMB287,000,000. Gain on disposal amounted to RMB212,794,000 was analysed as follows:

| | Year ended 31 December 2022 RMB'000 |
|---|---|
| **Net assets disposed of:** | |
| Property and equipment (Note 7) | 45,974 |
| Right of use assets (Note 8) | 180,243 |
| Intangible assets (Note 9) | 550 |
| Deferred tax assets (Note 13) | 58,824 |
| Cash and cash equivalents | 3,986 |
| Trade receivables | 5,176 |
| Other receivables | 14,590 |
| Inventories | 586 |
| Trade and other payables | (35,112) |
| Borrowings | (13,603) |
| Lease liabilities | (228,204) |
| | 33,010 |
| Add: Release of non-controlling interests | 41,196 |
| Less: Proceeds from disposal | (287,000) |
| Gain on disposal (Note 36) | (212,794) |
| Net cash inflows arising on disposal: | |
| Cash consideration received | 137,000 |
| Cash at bank disposed of | (3,986) |
| | 133,014 |

The cash consideration of RMB137,000,000 for the disposal had been fully received by the Group for the year ended 31 December 2022. The remaining balances of RMB150,000,000 was recognised in other receivable as at 31 December 2022, in which RMB50,000,000 has been settled during the year ended 31 December 2023; RMB50,000,000 will be settled in September 2024; and RMB50,000,000 will be settled in September 2025.

# 38 Disposal of subsidiaries (continued)

## (c) Disposal of Wuxi Rich Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. ("Wuxi Rich") and its subsidiaries

On December 2022, the Group entered into an agreement with an independent third party to dispose of its 100% equity interest of Wuxi Rich and its subsidiaries trading at cash consideration of RMB6,000,000. Loss on disposal amounted to RMB5,524,000 was analysed as follows:

| | Year ended 31 December 2022 RMB'000 |
|---|---|
| **Net assets disposed of:** | |
| Property and equipment (Note 7) | 2 |
| Right of use assets (Note 8) | 44,602 |
| Cash and cash equivalents | 28,887 |
| Trade receivables | 30 |
| Other receivables | 13,390 |
| Trade and other payables | (11,756) |
| Borrowings | (5,158) |
| Lease liabilities | (58,473) |
| | 11,524 |
| Less: Proceeds from disposal | (6,000) |
| Loss on disposal (Note 36) | 5,524 |
| Net cash outflows arising on disposal: | |
| Cash at bank disposed of | (28,887) |
| | (28,887) |

The consideration was recognised in other receivables as at 31 December 2022 and expected to be received in 2024.

# 39 Notes to the consolidated statement of cash flows

## a. Net cash generated from operations:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Profit for the year before income tax | | |
| Continuing operations | **545,632** | 327,190 |
| Discontinued operations | **—** | 53,962 |
| Adjustments for: | | |
| — Depreciation of right-of-use asset (Note 8) | **222,091** | 216,057 |
| — Depreciation of property and equipment (Note 7) | **172,442** | 162,623 |
| — Amortisation of intangible assets (Note 9) | **2,305** | 3,372 |
| — Net losses on disposal of property and equipment | **621** | 270 |
| — Net provision of/(reversal of) impairment losses on financial assets (Note 15 and Note 16) | **9,042** | (3,448) |
| — Written off of property and equipment | **—** | 54,754 |
| — Written off of intangible asset (Note 9) | **11** | 824 |
| — Share of results of associate and joint venture (Note 10) | **(958)** | (419) |
| — Interest income | **(10,373)** | (6,440) |
| — Interest expense | **129,807** | 141,495 |
| — Foreign exchange losses | **(4,499)** | (11,725) |
| — Share option scheme (Note 33) | **(3,247)** | 10,948 |
| — Gain on lease modification (Note 32) | **(28,996)** | (3,343) |
| — Gain on disposal of subsidiaries (Note 38) | **—** | (208,028) |
| — COVID-19-related rent concessions | **—** | 28,862 |
| Changes in working capital: | | |
| — Decrease in inventories | **1,331** | 9,236 |
| — Increase in trade receivables, other receivables and prepayments | **(73,526)** | (63,764) |
| — (Increase)/decrease in amounts due from related parties | **(1,439)** | 4,795 |
| — Decrease in deferred income | **(8,083)** | (2,545) |
| — Increase in trade and other payables | **48,477** | 64,776 |
| — Increase in contract liabilities | **49,310** | 146,796 |
| — Decrease in amounts due to related parties | **(1)** | (1) |
| — Increase in deposits for long-term leases | **(4,482)** | (9,449) |
| Net cash generated from operating activities | **1,045,465** | 916,798 |

# 39 Notes to the consolidated statement of cash flows (continued)

## b. Proceeds from disposal of property and equipment:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Net book amount of property and equipment (Note 7) | **16,965** | 17,455 |
| Losses on disposal of property and equipment (Note 31) | **(621)** | (270) |
| Proceeds from disposal of property and equipment | **16,344** | 17,185 |

## c. Net debt cash reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Cash and cash equivalents | **811,210** | 720,141 |
| Borrowings — repayable within one year (including overdraft) | **(647,466)** | (615,166) |
| Borrowings — repayable after one year | **(219,140)** | (320,159) |
| Other financial liabilities | **—** | (100,000) |
| Lease liabilities — repayable within one year | **(264,298)** | (265,509) |
| Lease liabilities — repayable after one year | **(1,135,647)** | (1,097,716) |
| Net debt | **(1,455,341)** | (1,678,409) |
| Cash and liquid investments | **811,210** | 720,141 |
| Gross debt — fixed interest rates | **(1,867,112)** | (1,766,225) |
| Gross debt — variable interest rates | **(399,439)** | (532,325) |
| Other financial liabilities — fixed interest rate | **—** | (100,000) |
| Net debt | **(1,455,341)** | (1,678,409) |

# 39 Notes to the consolidated statement of cash flows (continued)

## c. Net debt cash reconciliation (continued)

| | Other assets | Liabilities from financing activities | | | | | |
|---|---|---|---|---|---|---|---|
| | Cash | Borrowing due within 1 year | Borrowing due after 1 year | Other financial liabilities | Lease liabilities due within 1 year | Lease liabilities due after 1 year | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Net debt as at 1 January 2022** | 771,264 | (774,202) | (474,721) | (100,000) | (289,952) | (1,204,422) | (2,072,033) |
| Cash flows | (62,848) | 159,036 | 154,562 | – | 24,443 | 106,706 | 381,899 |
| Foreign exchange adjustments | 11,725 | – | – | – | – | – | 11,725 |
| **Net debt as at 31 December 2022 and 1 January 2023** | 720,141 | (615,166) | (320,159) | (100,000) | (265,509) | (1,097,716) | (1,678,409) |
| Cash flows | 86,570 | (32,300) | 101,019 | 100,000 | 1,211 | (37,931) | 218,569 |
| Foreign exchange adjustments | 4,499 | – | – | – | – | – | 4,499 |
| **Net debt as at 31 December 2023** | 811,210 | (647,466) | (219,140) | – | (264,298) | (1,135,647) | (1,455,341) |

# 40 Contingencies

Up to 31 December 2023, the Group had seven (2022: five) ongoing medical disputes arising from the operation of Nantong Rich Hospital and several disputes arising from medical examination centres which have not been settled. The Group has assessed the individual cases and taken into account of the expenses incurred and recorded. The Group believes the financial exposure in relation to the ongoing medical disputes shall not material and thus no additional provision was made in this respect.

# 41 Commitments

## a. Capital commitments

Capital expenditure contracted for but not yet incurred at each balance sheet date, is as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Authorized and contracted for:** | | |
| Nantong Rich Hospital Expansion II | **–** | 53,271 |
| System upgrade expenditure | **–** | 2,760 |
| Leasehold improvements | **29,020** | 22,323 |
| Nantong Rich Hospital Expansion I | **3,430** | 1,731 |
| | **32,450** | 80,085 |

# 42 Change in ownership interests in subsidiaries without change of control

| Subsidiaries | Consideration to non-controlling interest | Carrying amount of non-controlling interest acquired | Year ended 31 December 2022 Loss on acquisition recognised within equity |
|---|---|---|---|
| Wuxi Rich (a) | 29,360 | (14,387) | (14,973) |
| Changzhou Hospital (b) | — | 7,599 | (7,599) |
| Other | — | 4,476 | (4,476) |
| | 29,360 | (2,312) | (27,048) |

Notes

a. In May 2022, the Group disproportionately increased the registered capital of Wuxi Rich. The Group recognised an increase in an non-controlling interests of RMB2,052,000 and a decrease in in equity attributable to owners of the Company of RMB2,052,000 based on the difference between the capital contribution of the minority shareholder and the increased non-controlling interests.

Also, the Group acquired the remaining 25.57% equity interests in Wuxi Rich at a total consideration of RMB29,360,000. The Group recognised a decrease in a non-controlling interests of RMB16,439,000 and a decrease in equity attributable to owners of the Company of RMB12,921,000.

b. In December 2022, the Group disproportionately increased the registered capital of Changzhou Hospital. The Group recognised an increase in an non-controlling interests of RMB7,599,000 and a decrease in in equity attributable to owners of the Company of RMB7,599,000 based on the difference between the capital contribution of the minority shareholder and the increased non-controlling interests.

# 43 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling shareholders of the Group are Dr. Fang and Dr. Mei.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2023 and 2022 and balances arising from related party transactions as at 31 December 2023 and 2022.

## a. Name and relationship with related parties

| Name of related party | Relationship with the Group |
|---|---|
| Dr. Fang (方宜新) | Controlling shareholder |
| Dr. Mei (梅紅) | Controlling shareholder |
| Mr. Fang Haoze (方浩澤) | Close family member of Dr. Fang and Dr. Mei |
| Nantong Rich Real Estate Development Co., Ltd. (南通瑞慈房地產開發有限公司) ("**Nantong Rich Real Estate**") | Controlled by Dr. Fang |
| Jiangsu Tayoi biological technology co., Ltd. (江蘇東洋之花生物科技股份有限公司) ("**Jiangsu Tayoi**") | Controlled by Dr. Fang |
| Nantong Meidi | Subsidiary of a joint venture |

## b. Saved as elsewhere disclosed in these consolidated financial statements, the following transactions were carried out with related parties:

### i. Expenses paid on behalf of related parties by the Group

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Nantong Meidi | **602** | 71 |
| Nantong Rich Real Estate | **43** | 31 |
| | **645** | 102 |

# 43 Related party transactions (continued)

## b. Saved as elsewhere disclosed in these consolidated financial statements, the following transactions were carried out with related parties: (continued)

### ii. Purchase of goods and services

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Jiangsu Tayoi | **–** | 133 |

### iii. Guarantee provided by related parties for borrowings of the Group

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Dr. Fang and Dr. Mei | **145,000** | – |

### iv. Guarantee provided by related parties for other financial liabilities of the Group

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Dr. Fang and Dr. Mei | **–** | 22,964 |

### v. Services provided to related parties

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Nantong Meidi | **1,527** | 952 |

# 43 Related party transactions (continued)

## c. Key management compensation

Key management includes executive directors and non-executive directors. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Share option scheme | **—** | 3,148 |
| Salaries and other short-term employee benefits | **3,369** | 2,695 |
| Pension | **285** | 262 |
| | **3,654** | 6,105 |

## d. Balances with related parties

**Amounts due from related parties**

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Nantong Meidi | **2,533** | 1,083 |
| Nantong Rich Real Estate | **20** | 31 |
| | **2,553** | 1,114 |
| Less: Loss allowance of amounts due from related parties | **—** | — |
| | **2,553** | 1,114 |

The amounts due from related parties are for lending money to related parties, or expenses paid on behalf of related parties and rental deposits which were unsecured and non-interest bearing.

The Group applied expected credit loss model to assess the loss allowance on amounts due from related parties. No loss allowance was recognised for the years ended 31 December 2023 and 2022.

# 43 Related party transactions (continued)

## d. Balances with related parties (continued)

**Amounts due to related parties**

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Jiangsu Tayoi | **132** | 133 |

The amounts due to related parties are for purchase of goods and services from related parties.

# 44 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2023 and 2022 are set out below:

## a. Directly holding subsidiaries

**Subsidiaries incorporated in the BVI**

| Company name | Date of incorporation | Registered capital | Effective interests held by the Group 31 December | | Principal activities |
|---|---|---|---|---|---|
| | | | **2023** | 2022 | |
| Rici Healthcare Holdings Limited | 11 July 2014 | USD1 | **100%** | 100% | Investment holding |
| Regent Healthcare Holdings Limited | 6 June 2014 | USD1 | **100%** | 100% | Investment holding |

## b. Indirectly holding subsidiaries

**Subsidiaries incorporated in Hong Kong**

| Company name | Date of incorporation | Registered capital | Effective interests held by the Group 31 December | | Principal activities |
|---|---|---|---|---|---|
| | | | **2023** | 2022 | |
| Hong Kong Rici Healthcare Holdings Limited | 14 July 2014 | HKD1 | **100%** | 100% | Investment holding |
| Cathay Grace Healthcare Holdings Limited | 17 June 2014 | HKD1 | **100%** | 100% | Investment holding |
| Distanced Landscape Holdings Limited | 9 May 2023 | HKD1 | **100%** | N/A | Investment holding |
| Jade Mountain Holdings Limited | 30 May 2023 | HKD1 | **100%** | N/A | Investment holding |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

**Subsidiaries established in the PRC**

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Nantong Rich Hospital Co.,Ltd. (南通瑞慈醫院有限公司) | 14 August 2000 | 68,000 | **100%** | 95.59% | General hospital service |
| Shanghai Rich Clinic Co.,Ltd. (上海瑞慈門診部有限公司) | 14 February 2007 | 13,000 | **100%** | 100% | Examination service |
| Nanjing Rich Clinic Co.,Ltd. (南京瑞慈門診部有限責任公司) | 1 December 2008 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruining Clinic Co.,Ltd. (上海瑞慈瑞寧門診部有限公司) | 12 February 2009 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruibo Clinic Co.,Ltd. (上海瑞慈瑞鉑門診部有限公司) | 10 April 2009 | 5,000 | **100%** | 100% | Examination service |
| Suzhou Rich Clinic Co.,Ltd. (蘇州瑞慈門診部有限公司) | 22 August 2009 | 10,000 | **100%** | 100% | Examination service |
| Nantong Rich Medical Examination Center Co.,Ltd. (南通瑞慈健康體檢中心有限公司) | 17 March 2010 | 5,000 | **100%** | 100% | Examination service |
| Shenzhen Rich Medical Examination Management Co.,Ltd. (深圳瑞慈健康體檢管理有限公司) | 17 September 2010 | 20,000 | **100%** | 100% | Investment holding |
| Nantong Rich Binjiang Medical Examination Centre Co.,Ltd. (南通瑞慈濱江健康體檢中心有限公司) | 21 October 2010 | 30,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruitai Clinic Co.,Ltd. (上海瑞慈瑞泰門診部有限公司) | 17 January 2011 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruijie Clinic Co.,Ltd. (上海瑞慈瑞傑門診部有限公司) | 12 July 2012 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruizhao Clinic Co.,Ltd. (上海瑞慈瑞兆門診部有限公司) | 19 March 2013 | 5,000 | **100%** | 100% | Examination service |
| Chengdu Jinjiang Rich Clinic Co.,Ltd. (成都錦江瑞慈門診部有限公司) | 6 November 2013 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruize Clinic Co.,Ltd. (上海瑞慈瑞澤門診部有限公司) | 25 November 2013 | 5,000 | **100%** | 100% | Examination service |
| Shenzhen Rich Clinic (深圳瑞慈門診部) | 28 February 2014 | 10,000 | **100%** | 100% | Examination service |
| Guangzhou Ruisen Guojin Clinic Co.,Ltd. (廣州瑞森國金醫療門診部有限公司) | 28 February 2014 | 15,000 | **90%** | 90% | Examination service |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

**Subsidiaries established in the PRC (continued)**

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Jiangsu Rich Medical Management Co.,Ltd (江蘇瑞慈醫療管理有限公司). | 14 July 2014 | 350,000 | **100%** | 100% | Investment holding |
| Nantong Rich Medical Management Group Co.,Ltd. (南通瑞慈醫療管理集團有限公司) | 14 July 2014 | 650,000 | **100%** | 100% | Investment holding |
| Shanghai Rich Medical Investment Group Co.,Ltd. (上海瑞慈醫療投資集團有限公司) | 25 August 2014 | 660,000 | **100%** | 100% | Investment holding |
| Guangzhou Rich Investment Co.,Ltd. (廣州瑞慈投資有限公司) | 1 September 2014 | 20,000 | **100%** | 100% | Investment holding |
| Changzhou Rich Clinic Co.,Ltd. (常州瑞慈醫療門診部有限公司) | 16 September 2014 | 15,000 | **100%** | 100% | Examination service |
| Wuhan Rich Medical Investment Management Co.,Ltd. (武漢瑞慈醫療投資管理有限公司) | 10 November 2014 | 10,000 | **100%** | 100% | Investment holding |
| Nantong Haoze Medical Management Co.,Ltd. (南通浩澤醫療管理有限公司) | 13 November 2014 | 30,000 | **100%** | 100% | Investment holding |
| Nanjing Rich Ruixing Clinic Co.,Ltd. (南京瑞慈瑞星門診部有限公司) | 5 December 2014 | 20,000 | **95%** | 95% | Examination service |
| Wuhan Rich Clinic Co.,Ltd. (武漢瑞慈門診部有限公司) | 29 January 2015 | 5,000 | **100%** | 100% | Examination service |
| Guangzhou Rich Zhongxin Clinic Co., Ltd. (廣州瑞慈中信門診部有限公司) | 27 January 2015 | 15,000 | **88%** | 88% | Examination service |
| Hefei Haoze Health Management Co., Ltd. (合肥浩澤健康管理有限公司) | 16 February 2015 | 5,000 | **100%** | 100% | Investment holding |
| Shanghai Rich Ruixin Clinic Co., Ltd. (上海瑞慈瑞鑫門診部有限公司) | 19 March 2015 | 5,000 | **95%** | 95% | Examination service |
| Shanghai Fanjin Investment Management Co., Ltd. (上海返錦投資管理有限公司) | 1 April 2015 | 100,000 | **100%** | 100% | Investment holding |
| Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司) | 20 May 2015 | 10,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruijin Clinic Co.Ltd. (上海瑞慈瑞錦門診部有限公司) | 28 May 2015 | 5,000 | **95%** | 95% | Examination service |
| Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司) | 29 June 2015 | 18,000 | **100%** | 100% | Examination service |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

**Subsidiaries established in the PRC (continued)**

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司) | 25 August 2016 | 10,000 | **88%** | 88% | Examination service |
| Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd (揚州瑞慈瑞揚中西醫結合門診部有限公司) | 9 October 2016 | 5,000 | **88%** | 88% | Examination service |
| Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司) | 1 December 2016 | 15,000 | **100%** | 100% | Examination service |
| Nanjing Rich Ruixiang Clinic Co., Ltd (南京瑞慈瑞祥門診部有限公司) | 7 December 2016 | 5,000 | **88%** | 88% | Examination service |
| Chengdu High-tech Rich Ruigao Clinic Co., Ltd. (成都高新瑞慈瑞高體檢門診部有限公司) | 14 December 2016 | 5,000 | **100%** | 100% | Examination service |
| Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. (成都溫江瑞慈瑞文門診部有限公司) | 20 December 2016 | 17,500 | **88.6%** | 88.6% | Examination service |
| Xuzhou Rich Ruixu Clinic Co.,Ltd. (徐州瑞慈瑞徐體檢門診部有限公司) | 20 December 2016 | 5,000 | **88%** | 88% | Examination service |
| Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司) | 21 December 2016 | 5,000 | **88%** | 88% | Examination service |
| Nantong Rich Ruifeng Medical Examination Center Co.,Ltd. (南通瑞慈瑞峰健康體檢中心有限公司) | 10 January 2017 | 5,000 | **88%** | 88% | Examination service |
| Shenyang Rich Medical Examination Management Co., Ltd. (瀋陽瑞慈健康體檢管理有限公司) | 9 May 2017 | 20,000 | **80%** | 80% | Investment holding |
| Shenyang Rich Ruishen General Clinic of Western District of Shenyang Co.,Ltd (瀋陽瑞慈瑞瀋鐵西綜合門診部有限公司) | 20 June 2017 | 5,000 | **80%** | 80% | Examination service |
| Foshan Rich Ruifo Clinic Co., Ltd (佛山瑞慈瑞佛門診部有限公司) | 5 July 2017 | 5,000 | **51%** | 51% | Examination service |
| Changsha Rich Ruishang Healthcare Management Co., Ltd (長沙瑞上健康管理有限公司) | 22 June 2017 | 20,000 | **51%** | 51% | Examination service |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

**Subsidiaries established in the PRC (continued)**

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Zhenjiang Rich Ruirun Clinic Co.,Ltd. (鎮江京口瑞慈瑞潤體檢中心有限公司) | 5 July 2017 | 5,000 | **51%** | 51% | Examination service |
| Shanghai Rich Ruilong Clinic Co.,Ltd. (上海瑞慈瑞隆門診部有限公司) | 20 July 2017 | 5,000 | **70%** | 70% | Examination service |
| Huzhou Rich Ruihu Clinic Co.,Ltd. (湖州瑞慈瑞湖門診部有限公司) | 14 August 2017 | 5,000 | **51%** | 51% | Examination service |
| Xiamen Rich Ruisi Clinic Co.,Ltd. (廈門思明瑞慈瑞思門診部有限公司) | 16 August 2017 | 5,000 | **51%** | 51% | Examination service |
| Shanghai Rich Ruimin Clinic Co.,Ltd. (上海瑞慈瑞閔門診部有限公司) | 17 August 2017 | 5,000 | **70%** | 70% | Examination service |
| Nantong Rich Hemo-dialysis Co., Ltd (南通瑞慈血液透析有限公司) | 8 September 2017 | 5,000 | **100%** | 100% | Diagnosis service |
| Yantai Rich Ruigao Clinic Co.,Ltd. (煙臺瑞慈瑞高門診部有限公司) | 3 November 2017 | 5,000 | **51%** | 51% | Examination service |
| Qingdao Rich Ruicheng Healthcare Management Co., Ltd (青島瑞慈瑞城健康管理有限公司) | 9 November 2017 | 5,000 | **100%** | 100% | Examination service |
| Nantong Rich Ruixing Medical Examination Center Co.,Ltd. (南通瑞慈瑞興健康體檢中心有限公司) | 15 November 2017 | 20,000 | **51%** | 51% | Examination service |
| Changzhou Rich Medical Instrument Co., Ltd (常州瑞慈醫療器械有限公司) | 24 November 2017 | 30,000 (USD'000) | **100%** | 100% | Medical equipment sales |
| Wuhan Rich Ruiyue Clinic Co.,Ltd. (武漢瑞慈瑞嶽綜合門診部有限公司) | 11 December 2017 | 20,000 | **51%** | 51% | Examination service |
| Shanghai Ruikui Healthcare Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司) | 6 February 2018 | 170,000 | **100%** | 100% | Investment holding |
| Hefei High-tech Rich Ruihe Clinic Co., Ltd. (合肥高新區瑞慈瑞合綜合門診部有限公司) | 8 February 2018 | 20,000 | **70%** | 70% | Examination service |
| Shanghai Rich Ruiqing Clinic Co., Ltd. (上海瑞慈瑞青門診部有限公司) | 3 April 2018 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruishan Clinic Co., Ltd. (上海瑞慈瑞山門診部有限公司) | 15 June 2018 | 20,000 | **70%** | 70% | Examination service |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

**Subsidiaries established in the PRC (continued)**

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Shanghai Hongdun Enterprise Management Co., Ltd. (上海虹敦企業管理有限公司) | 19 June 2018 | 10,000 | **51%** | 51% | Investment holding |
| Nanjing Advanced Integrative Clinic Co., Ltd. (南京幸元會綜合門診部有限公司) | 5 July 2018 | 30,000 | **70%** | 70% | Examination service |
| Jinan Rich Ruiji Health Management Co., Ltd. (濟南瑞慈瑞濟健康管理有限公司) | 11 July 2018 | 20,000 | **100%** | 100% | Examination service |
| Quanzhou Rich Ruiquan Clinic Co., Ltd. (泉州瑞慈瑞泉門診部有限公司) | 19 July 2018 | 20,000 | **70%** | 70% | Examination service |
| Nantong Rich Ruiyun Clinic Co., Ltd. (南通瑞慈瑞運健康體檢中心有限公司) | 20 July 2018 | 20,000 | **70%** | 70% | Examination service |
| Yancheng Rich Health Management Co., Ltd. (鹽城瑞慈健康管理有限公司) | 3 August 2018 | 15,000 | **70%** | 70% | Examination service |
| Huaian Rich Ruimao Clinic Co., Ltd. (淮安瑞慈瑞茂門診部有限公司) | 26 November 2018 | 5,000 | **70%** | 70% | Examination service |
| Shanghai Rich Ruiqiao Clinic Co., Ltd. (上海瑞慈瑞蕎門診部有限公司) | 11 December 2018 | 20,000 | **72%** | 72% | Examination service |
| Shanghai Cherry Pediatric Clinic Co., Ltd. (上海睿醫小櫻桃門診部有限公司) | 24 November 2016 | 5,000 | **100%** | 100% | Examination service |
| Shanghai Rich Ruiyuan Clinic Co., Ltd. (上海瑞慈瑞轅健康體檢中心有限公司) | 30 January 2019 | 5,000 | **70%** | 70% | Examination service |
| Suqian Rich Ruiqian Clinic Co., Ltd. (宿遷瑞慈瑞謙門診部有限公司) | 20 February 2019 | 5,000 | **70%** | 70% | Examination service |
| Shanghai XMEDIC Examination Center Co., Ltd. (上海幸元會健康體檢中心有限公司) | 25 April 2019 | 53,600 | **70%** | 70% | Examination service |
| Shanghai Rich Medical technology Co., Ltd. (上海瑞慈醫療科技有限公司) | 13 May 2019 | 30,000 | **100%** | 100% | Health counselling |
| Shenzhen Rich Ruizhou Medical Examination Cente (深圳瑞慈瑞洲健康體檢中心) | 5 August 2019 | 15,000 | **70%** | 70% | Examination service |
| Suzhou Gusu Rich Ruiwu Medical Examination Center Co., Ltd. (蘇州姑蘇瑞慈瑞梧健康體檢中心有限公司) | 13 May, 2020 | 15,000 | **70%** | 70% | Examination service |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

### Subsidiaries established in the PRC (continued)

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Changzhou Wujin Rich Ruiyao Integrative Clinic Co., Ltd. (常州武進瑞慈瑞曜綜合門診部有限公司) | 17 August 2020 | 15,000 | **70%** | 70% | Examination service |
| Nantong Advanced Hejia Maternal and Child Nursing Service Co. Ltd. (南通幸元會和嘉母嬰護理服務有限公司) | 13 October 2020 | 5,000 | **100%** | 100% | Maternity and Child Nursing service |
| Hangzhou Rich Ruijiang Clinic Co., Ltd. (杭州瑞慈瑞江綜合門診部有限公司) | 1 June 2021 | 15,000 | **70%** | 70% | Examination service |
| Xuzhou Rich Ruipeng Medical Examination Center Co., Ltd. (徐州瑞慈瑞彭體檢中心有限公司) | 22 June 2021 | 15,000 | **70%** | 70% | Examination service |
| Nantong Rich Ruiwei Medical Examination Center Co., Ltd. (南通瑞慈瑞威健康體檢中心有限公司) | 18 September 2021 | 20,000 | **70%** | 70% | Examination service |
| Yangzhou Rich Ruiyun Medical Examination Center Co., Ltd. (揚州瑞慈瑞韻健康體檢有限公司) | 29 September 2021 | 15,000 | **70%** | 70% | Examination service |
| Beijing Rich Ruihai Clinic Co., Ltd. (北京瑞慈瑞海綜合門診部有限公司) | 24 November 2021 | 15,000 | **70%** | 70% | Examination service |
| Guangzhou Rich Ruisui Medical Examination Center Co., Ltd. (廣州瑞慈瑞穗健康體檢中心有限公司) | 2 December 2021 | 15,000 | **70%** | 70% | Examination service |
| Taizhou Rich Ruixin Clinic Co., Ltd. (泰州瑞慈綜合門診部有限公司) | 14 December 2021 | 15,000 | **70%** | 70% | Examination service |
| Guangzhou Rich RuiYi Medical Examination Center Co., Ltd. (廣州瑞慈瑞宜健康體檢有限責任公司) | 24 April 2022 | 15,000 | **70%** | 70% | Examination service |
| Shanghai Rich Ruiyue Clinic Co., Ltd. (上海瑞慈瑞悅門診部有限公司) | 10 August 2022 | 15,000 | **70%** | 70% | Examination service |
| Shanghai XMEDIC Xing Rong Clinic Co., Ltd. (上海幸元會幸融門診部有限公司) | 30 August 2022 | 15,000 | **70%** | 70% | Examination service |
| Shanghai Rich SeoYeon Clinic Co., Ltd. (上海瑞慈瑞延門診部有限公司) | 20 September 2022 | 15,000 | **70%** | 70% | Examination service |
| Wuhan Rich Ruilang Clinic Co., Ltd. (武漢瑞慈瑞朗綜合門診有限公司) | 18 November 2022 | 15,000 | **70%** | 70% | Examination service |

# 44 Subsidiaries (continued)

## b. Indirectly holding subsidiaries (continued)

**Subsidiaries established in the PRC (continued)**

| Company name | Date of incorporation | Registered capital RMB'000 | Effective interests held by the Group 31 December 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| Nanjing Rich Ruihong Medical Examination Center Co., Ltd. (南京江寧瑞慈瑞弘健康體檢中心有限公司) | 21 November 2022 | 15,000 | **70%** | 70% | Examination service |
| Shanghai Ruijia Health Management Co., Ltd. (上海瑞葭健康管理有限公司) | 17 January 2023 | 14,000 | **100%** | N/A | Investment holding |
| Shanghai Rich Ruiming Clinic Co., Ltd. (上海瑞慈瑞銘門診部有限公司) | 28 March 2023 | 15,000 | **70%** | N/A | Examination service |
| Hangzhou Rich Ruihe Clinic Co., Ltd. (杭州瑞慈瑞和醫療門診部有限公司) | 10 July 2023 | 15,000 | **70%** | N/A | Examination service |
| Shanghai Yichang Consulting Management Co., Ltd. (上海懌瑒諮詢管理有限公司) | 11 July 2023 | 250,000 | **100%** | N/A | Investment holding |
| Shanghai Rich Ruidi Medical Laboratory Co., Ltd (上海瑞慈瑞迪醫學檢驗實驗室有限公司) | 27 July 2023 | 14,000 | **100%** | N/A | Medical Laboratory |
| Shenzhen Rich Ruixin Medical Examination Center Co.,Ltd (深圳瑞慈瑞新健康體檢中心) | 18 August 2023 | 15,000 | **70%** | N/A | Examination service |
| Shanghai Rich Chen Xi Health Management Co., Ltd. (上海瑞慈諶曦健康管理有限公司) | 29 August 2023 | 5,000 | **70%** | N/A | Investment holding |
| Shanghai Rich Ruirong Clinic Co., Ltd (上海瑞慈瑞榮門診部有限公司) | 20 November 2023 | 15,000 | **70%** | N/A | Examination service |

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available. The PRC companies listed above are all limited liability companies.

Changzhou Rich Medical Instrument Co., Ltd, Shanghai Fanjin Investment Management Co., Ltd. and Jiangsu Rich Medical Management Co., Ltd. ("**Jiangsu Rich Management**") are registered as wholly foreign owned enterprises under PRC law. All the other subsidiaries established in the PRC are held by Jiangsu Rich Management and registered as domestic companies under PRC law.

# 45 Balance sheet and reserve movement of the Company

## Balance Sheet of the Company

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | **264,916** | 268,162 |
| **Current assets** | | |
| Cash and cash equivalents | **11,506** | 3,243 |
| Prepayments | **360** | 360 |
| Amounts due from related parties | **415,944** | 607,167 |
| | **427,810** | 610,770 |
| **Total assets** | **692,726** | 878,932 |
| **Equity attributable to owners of the Company** | | |
| Share capital | **1,065** | 1,065 |
| Reserves (Note a) | **655,074** | 852,191 |
| | **656,139** | 853,256 |
| **Total equity** | **656,139** | 853,256 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Trade and other payables | **11,238** | 327 |
| Amounts due to related parties | **25,349** | 25,349 |
| | **36,587** | 25,676 |
| **Total liabilities** | **36,587** | 25,676 |
| **Total equity and liabilities** | **692,726** | 878,932 |

The balance sheet of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf by:

**Fang Yixin**
Director

**Mei Hong**
Director

## 45 Balance sheet and reserve movement of the Company (continued)

Note:

### a. Reserve movement of the Company

| | Contributed Surplus RMB'000 | Share premium RMB'000 | Share option scheme RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 January 2022** | 93,464 | 715,292 | 101,063 | (66,274) | 843,545 |
| Loss for the year | — | — | — | (2,302) | (2,302) |
| Share option scheme (Note 20) | — | — | 10,948 | — | 10,948 |
| **At 31 December 2022** | 93,464 | 715,292 | 112,011 | (68,576) | 852,191 |
| **At 1 January 2023** | **93,464** | **715,292** | **112,011** | **(68,576)** | **852,191** |
| Loss for the year | **—** | **—** | **—** | **(5,966)** | **(5,966)** |
| Special dividend declared (Note 46) | **—** | **(187,904)** | **—** | **—** | **(187,904)** |
| Share option scheme (Note 20) | **—** | **—** | **(13,010)** | **9,763** | **(3,247)** |
| **At 31 December 2023** | **93,464** | **527,388** | **99,001** | **(64,779)** | **655,074** |

## 46 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).

## 47 Authorization for issue of the consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the board of directors of the Company on 28 March 2024.

瑞慈醫療服務控股有限公司
RICI HEALTHCARE HOLDINGS LIMITED

股份代號 Stock Code: 1526

於開曼群島註冊成立之有限公司 Incorporated in the Cayman Islands with limited liability