RICI HEALTHCARE HOLDINGS LIMITED
瑞慈醫療服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1526)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2020 amounted to RMB1,925.2 million, representing an increase of 11.5% from revenue of RMB1,726.2 million for the year ended December 31, 2019.
- Gross profit for the year ended December 31, 2020 amounted to RMB580.7 million, representing an increase of 20.0% from gross profit of RMB484.0 million for the year ended December 31, 2019.
- Loss attributable to owners of the Company for the year ended December 31, 2020 amounted to RMB7.9 million, as compared to loss attributable to owners of the Company of RMB69.2 million for the year ended December 31, 2019.
- Adjusted EBITDA for the year ended December 31, 2020 was RMB468.2 million, representing an increase of 15.7% from RMB404.7 million for the year ended December 31, 2019.

In this announcement, "we", "us", "our" and "Rici" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Rici Healthcare Holdings Limited (the "**Company**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2020 with the comparative figures for the year ended December 31, 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Revenue	15	**1,925,190**	1,726,206
Cost of sales	16	**(1,344,526)**	(1,242,224)
Gross profit		**580,664**	483,982
Distribution costs and selling expenses	16	**(226,319)**	(237,575)
Administrative expenses	16	**(294,154)**	(305,449)
Net impairment reversals on financial assets	16	**1,340**	2,131
Other income		**23,325**	30,319
Other losses		**(9,076)**	(847)
Operating profit/(loss)		**75,780**	(27,439)
Finance costs	17	**(193,842)**	(159,351)
Finance income	17	**8,464**	18,343
Finance costs – net	17	**(185,378)**	(141,008)
Share of results of investments accounted for using equity method		**775**	199
Loss before income tax		**(108,823)**	(168,248)
Income tax credit/(expense)	18	**16,326**	(2,250)
Loss for the year		**(92,497)**	(170,498)
Loss attributable to:			
Owners of the Company		**(7,876)**	(69,163)
Non-controlling interests		**(84,621)**	(101,335)
		(92,497)	(170,498)
Loss per share for loss attributable to owners of the Company			
– Basic and diluted	19	**RMB(0.00)**	RMB(0.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(92,497)**	(170,498)
Other comprehensive income, or losses	**–**	–
Total comprehensive loss for the year	**(92,497)**	(170,498)
Total comprehensive loss attributable to:		
Owners of the Company	**(7,876)**	(69,163)
Non-controlling interests	**(84,621)**	(101,335)
	(92,497)	(170,498)

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

	Note	As at December 31, **2020** *RMB'000*	2019 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,242,707**	1,160,468
Right-of-use assets	4	**1,357,374**	1,554,771
Intangible assets		**11,078**	14,019
Investments accounted for using equity method		**7,900**	7,125
Financial assets at fair value through profit or loss		**4,500**	4,500
Deposits for long-term leases		**39,589**	41,926
Deferred tax assets	5	**235,022**	179,764
Prepayments	9	**105,270**	55,266
		3,003,440	3,017,839
Current assets			
Inventories		**43,712**	44,383
Trade receivables	6	**282,653**	290,027
Other receivables	7	**33,159**	33,181
Prepayments	9	**28,152**	16,270
Amounts due from related parties		**5,872**	980
Cash and cash equivalents	8	**561,819**	329,551
Restricted cash	8	**252,187**	338,346
		1,207,554	1,052,738
Total assets		**4,210,994**	4,070,577
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	**1,065**	1,065
Reserves		**504,744**	643,170
		505,809	644,235
Non-controlling interests		**(173,369)**	(81,299)
Total equity		**332,440**	562,936

	Note	As at December 31, 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**546,279**	259,276
Lease liabilities	12	**1,257,170**	1,409,877
Other financial liabilities		**129,879**	115,927
Other long-term liabilities		**–**	12,303
		1,933,328	1,797,383
Current liabilities			
Borrowings	11	**738,913**	663,486
Lease liabilities	12	**266,784**	267,211
Contract liabilities	13	**292,690**	229,157
Trade and other payables	14	**599,848**	515,540
Amounts due to related parties		**134**	1,500
Income tax payables		**23,237**	19,941
Deferred income		**23,620**	13,423
		1,945,226	1,710,258
Total liabilities		**3,878,554**	3,507,641
Total equity and liabilities		**4,210,994**	4,070,577

Notes to the Consolidated Financial Information

For the year ended December 31, 2020

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 July 11, 2014. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company, an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of general hospital services, specialty hospital services and medical examination services in the People's Republic of China ("**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since October 6, 2016.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2020 but are extracted from these financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Going concern

As at December 31, 2020, the Group's current liabilities exceeded its current assets by RMB737,672,000. Contract liabilities and deferred income included in current liabilities of the Group as at December 31, 2020 amounting to RMB316,310,000 will not create cash outflow for the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings, and uncommitted credit facilities provided by banks in PRC. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that the Group's bank financing could be renewed and/or extended for at least another twelve months upon maturity, if necessary. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(b) New standard and amendments of HKFRSs adopted by the Group in 2020

The group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2020:

- Amendments to HKAS 1 and HKAS 8 – Regarding definition of material
- Amendments to HKFRS 3 – Regarding definition of a business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Regarding interest rate benchmark reform
- Revised Conceptual Framework for Financial Reporting
- Amendments to HKFRS 16 – Regarding COVID-19-related rent concession

The standard and amendments listed above did not have any impact on the amounts recognized in prior years and are not expected to significantly affect the current or future years, except for the Amendments to HKFRS 16 set out above. The effects of the adoption of Amendment to HKFRS 16 are disclosed below in Note 2(d).

(c) ***New standard and amendments of HKFRSs issued but not yet applied by the Group***

Certain new standard and amendments of HKFRSs have been published but are not mandatory for the financial year beginning January 1, 2020 and have not been early adopted by the Group. Those which are more relevant to the Group's current operations are as below:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Regarding classification of liabilities as current or non-current	Originally January 1, 2022, but extended to January 1, 2023 by the HKICPA
Amendments to HKAS 16	Regarding property, plant and equipment: proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Regarding onerous contracts – cost of fulfilling a contract	January 1, 2022
Annual Improvements to HKFRS Standards 2018-2020		January 1, 2022
Amendments to HKFRS 3	Regarding reference to the conceptual framework	January 1, 2022
HKFRS 17	Insurance contracts	Originally January 1, 2021, but extended to January 1, 2023 by the HKICPA
Amendments to HKFRS 10 and HKAS 28	Regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new standard and amendments described above are either currently not relevant to the Group or are not expected to have material impact on the Group's consolidated financial statements when they become effective.

(d) ***Changes in accounting policies***

The Group has early adopted Amendments to HKFRS 16 – Regarding COVID-19-related rent concessions retrospectively from January 1, 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; ii) any reduction in lease payments affects only payments due on or before June 30, 2021; and iii) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions except for Beijing Rich Ruitai Clinic Co., Ltd. ("**Beijing Ruitai**"). Rent concessions totalling RMB18,496,000 have been accounted for as negative variable lease payments and recognized in administrative expenses and cost of sales in the statement of profit or loss for the year ended December 31, 2020, with a corresponding adjustment to the lease liabilities. Beijing Ruitai did not meet the conditions of practical expedient, and the revaluation totalling RMB3,268,000 was recognized in administrative expenses and cost of sales in the statement of profit or loss for the year ended December 31, 2020, with a corresponding adjustment to the lease liabilities and right-of-use assets. There is no impact on the opening balance of equity at January 1, 2020.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("**CODM**") for the purpose of corporate planning, allocating resources and assessing performance.

Management considers the business from a business perspective, and assesses the performance of the business segment based on segment profit without allocation of administrative expenses, interest income, interest expenses, other finance expense and income tax expense.

The amounts provided to management with respect to total assets and total liabilities are measured consistent with that of the financial statements. These assets are allocated based on the operation of segments. Certain assets and liabilities related to some companies with corporate function are not allocated into segments. Elimination of revenue are mainly inter-segment service charges related to general hospital business.

The Group manages its business by three operating segments based on their services, which is consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment:

(a) General hospital

The business of this segment is in Nantong, a city of Jiangsu Province. Revenue from this segment is derived from general hospital services provided by Nantong Rich Hospital Co., Ltd. ("**Nantong Rich Hospital**"), and hemodialysis services provided by Nantong Rich Hemodialysis Center Co., Ltd ("**Nantong Rich Hemodialysis Center**").

(b) Medical examination centers

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 and clinic services.

(c) Specialty hospitals

The business of this segment is in Shanghai City and Jiangsu Province. Revenue from this segment is to be derived from specialty hospital services and maternal and child nursing services.

The following table presents revenue and profit information regarding the Group's operation segments for the year ended December 31, 2020 and 2019, and the segment assets and liabilities at the respective balance sheet dates.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

	General hospital	Medical examination centers	Specialty hospitals	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2020						
Revenue	579,927	1,278,598	94,959	–	(28,294)	1,925,190
Segment profit/(loss)	155,681	310,391	(111,627)	(100)	–	354,345
Administrative expenses						(294,154)
Net impairment reversals on financial assets						1,340
Interest income						8,464
Interest expenses						(167,602)
Net exchange losses						(26,240)
Total loss before income tax						(108,823)
Income tax credit						16,326
Loss for the year						(92,497)

	General hospital	Medical examination centers	Specialty hospitals	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020						
Segment assets	1,489,219	2,936,255	748,039	828,211	(1,790,730)	4,210,994
Segment liabilities	936,505	2,884,753	884,553	241,204	(1,068,461)	3,878,554
Other information						
Addition to property and equipment, right-of-use assets and intangible assets	207,751	81,925	7,247	–	–	296,923
Depreciation and amortization	23,919	277,413	70,208	–	–	371,540

	General hospital *RMB'000*	Medical examination centers *RMB'000*	Specialty hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended December 31, 2019						
Revenue	522,384	1,170,496	55,041	–	(21,715)	1,726,206
Segment profit/(loss)	146,250	236,139	(126,117)	(7,091)	(2,774)	246,407
Administrative expenses						(305,449)
Net impairment reversals on financial assets						2,131
Interest income						11,989
Interest expenses						(159,351)
Net exchange gains						6,354
Total loss before income tax						(168,248)
Income tax expense						(2,250)
Loss for the year						(170,498)

	General hospital *RMB'000*	Medical examination centers *RMB'000*	Specialty hospitals *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at December 31, 2019						
Segment assets	1,245,870	3,415,155	830,397	859,934	(2,280,779)	4,070,577
Segment liabilities	740,765	3,115,817	843,248	113,615	(1,305,804)	3,507,641
Other information						
Addition to property and equipment, right-of-use assets and intangible assets	129,068	420,994	18,345	–	–	568,407
Depreciation and amortization	21,585	271,871	61,466	–	–	354,922

4 RIGHT-OF-USE ASSETS

	As at December 31, 2020	2019
	RMB'000	*RMB'000*
Properties	**1,291,328**	1,479,170
Equipment	**62,948**	72,403
Land use rights	**3,098**	3,198
	1,357,374	1,554,771

	Properties	Equipment	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2019				
Cost	**1,672,915**	**78,538**	**4,698**	**1,756,151**
Accumulated depreciation	**(193,745)**	**(6,135)**	**(1,500)**	**(201,380)**
Net book amount	**1,479,170**	**72,403**	**3,198**	**1,554,771**
Year ended December 31, 2020				
Opening net book amount	**1,479,170**	**72,403**	**3,198**	**1,554,771**
Additions	**28,513**	**86**	**–**	**28,599**
Revaluation (a)	**2,904**	**–**	**–**	**2,904**
Disposal	**(20,876)**	**–**	**–**	**(20,876)**
Depreciation (Note 16)	**(198,383)**	**(9,541)**	**(100)**	**(208,024)**
Closing net book amount	**1,291,328**	**62,948**	**3,098**	**1,357,374**
At December 31, 2020				
Cost	**1,654,809**	**78,624**	**4,698**	**1,738,131**
Accumulated depreciation	**(363,481)**	**(15,676)**	**(1,600)**	**(380,757)**
Net book amount	**1,291,328**	**62,948**	**3,098**	**1,357,374**

(a) The Group has applied the practical expedient to all qualified COVID-19-related rent concessions except for Beijing Ruitai (Note 2(d)). Beijing Ruitai did not meet the conditions of practical expedient, so revaluation has been applied, and lease liabilities and right-of-use assets have been adjusted accordingly.

5 DEFERRED TAX ASSETS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Tax losses	**167,553**	133,265
Right-of-use assets and lease liabilities	**36,188**	23,079
	203,741	156,344
Others		
Share option scheme	**20,684**	16,424
Deferred income	**3,950**	1,401
Loss allowances for financial assets	**3,323**	2,819
Impairment of property and equipment	**548**	—
Others	**2,776**	2,776
	31,281	23,420
Total deferred tax assets	**235,022**	179,764

Movement in deferred tax assets for both years ended December 31, 2020 and 2019, 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**	**Share option scheme**	**Deferred income**	**Assets impairment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	106,234	17,819	10,103	1,401	4,375	2,948	142,880
Credited/(charged) to the consolidated statement of profit or loss	27,031	5,260	6,321	—	(1,556)	(172)	36,884
At December 31, 2019	133,265	23,079	16,424	1,401	2,819	2,776	179,764
At January 1, 2020	133,265	23,079	16,424	1,401	2,819	2,776	179,764
Credited to the consolidated statement of profit or loss	34,288	13,109	4,260	2,549	1,052	—	55,258
At December 31, 2020	167,553	36,188	20,684	3,950	3,871	2,776	235,022

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB82,411,000 (2019: RMB61,217,000) in respect of tax losses amounting to RMB329,646,000 (2019: RMB244,870,000) as at December 31, 2020. All these tax losses will expire within five years.

6 TRADE RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**297,014**	308,177
Less: Loss allowance	**(14,361)**	(18,150)
	282,653	290,027

As at December 31, 2020 and 2019, the fair value of trade receivables of the Group approximated to their carrying amounts.

The aging analysis of trade receivables based on the date the relevant services were rendered are as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
– Up to 6 months	**274,740**	272,223
– 6 months to 1 year	**10,350**	17,569
– 1 to 2 years	**7,703**	11,275
– 2 to 3 years	**1,191**	3,800
– Over 3 years	**3,030**	3,310
	297,014	308,177

7 OTHER RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Deposits	**13,041**	12,903
Advances to staff	**5,990**	4,756
Interest receivables	**843**	3,944
Others	**13,402**	11,695
	33,276	33,298
Less: Loss allowance	**(117)**	(117)
	33,159	33,181

As at December 31, 2020 and 2019, the fair value of other receivables of the Group approximated to their carrying amounts.

8 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cash at bank and on hand		
– Denominated in RMB	**429,393**	264,812
– Denominated in USD	**129,021**	60,706
– Denominated in HKD	**3,405**	4,033
	561,819	329,551

(b) Restricted cash

As at December 31, 2020, fixed deposits of USD38,650,000 (December 31, 2019: USD48,500,000) were pledged at banks for the Group's borrowings of RMB220,000,000 (December 31, 2019: RMB300,000,000) (Note 11).

9 PREPAYMENTS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Non-current:		
Prepayment for property and equipment	**105,270**	55,266
Current:		
Prepayment for equity transaction with non-controlling interests of subsidiaries (a)	**8,833**	–
Prepayment for consumables	**7,424**	9,506
Others	**11,895**	6,764
	28,152	16,270
Total prepayments	**133,422**	71,536

(a) In 2020, the Group entered into an agreement with a non-controlling interest shareholder to acquire 7% equity interests of some subsidiaries. The Group has paid RMB8,833,000 to the non-controlling interest shareholder. Up to the end of 2020, the transaction has not been completed.

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Share capital**
		RMB'000
As at December 31, 2020 and 2019	1,590,324,000	1,065

11 BORROWINGS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Non-current:		
Bank borrowings – secured and/or guaranteed (a)	**526,557**	233,557
Other borrowings – secured and guaranteed (c)	**93,085**	49,205
Less: Current portion of non-current borrowings	**(73,363)**	(23,486)
	546,279	259,276
Current:		
Bank borrowings – secured and/or guaranteed (b)	**665,550**	640,000
Add: Current portion of non-current borrowings	**73,363**	23,486
	738,913	663,486
Total borrowings	**1,285,192**	922,762

(a) As at December 31, 2020, non-current borrowings include:

(i) RMB7,667,000 borrowings secured by the Group's buildings with net book value of RMB35,597,000; and

(ii) RMB107,640,000 borrowings secured by revenue collection rights of Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("**Changzhou Rich Obstetrics & Gynecology Hospital**"), a subsidiary of the Group, and guaranteed by related parties, Dr. Fang Yixin and Dr. Mei Hong.

(b) As at December 31, 2020, short-term borrowings include:

(i) RMB98,000,000 borrowings secured by the Group's buildings with net book value of RMB36,207,000; and

(ii) RMB220,000,000 borrowings secured by USD38,650,000 fixed deposits of the Group (Note 8(b));

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

(c) Other borrowings are secured by the Group's equipment with net book value of RMB87,510,000 and are also guaranteed by the Company's subsidiaries for each other.

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

12 LEASE LIABILITIES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**266,784**	267,211
After 1 year but within 2 years	**228,313**	255,589
After 2 year but within 5 years	**525,785**	570,488
After 5 years	**503,072**	583,800
	1,523,954	1,677,088

13 CONTRACT LIABILITIES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Sales of medical examination cards (a)	**191,742**	134,640
Advances from medical examination customers	**86,558**	83,376
Advances from hospital patients	**14,390**	11,141
	292,690	229,157

(a) It represents the prepayments received from sales of medical examination cards, which will be recognized in profit or loss when medical examination services are rendered to the relevant customers.

14 TRADE AND OTHER PAYABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade payables due to third parties (b)	**163,397**	142,207
Staff salaries and welfare payables	**131,634**	103,537
Loans from non-controlling interests of subsidiaries (a)	**94,258**	60,982
Payables for purchase of property and equipment	**83,834**	135,337
Deposits payable	**20,414**	6,100
Accrued taxes other than income tax	**10,943**	5,101
Interest payables	**2,256**	873
Accrued professional service fees	**2,430**	2,260
Accrued advertising expenses	**1,924**	2,657
Others	**88,758**	56,486
	599,848	515,540

(a) Balance represents loans from the non-controlling interests of subsidiaries, which are unsecured. As at December 31, 2020 and 2019, loans from non-controlling interests bore the interest rate at 8% per annum.

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

	As at 31 December,	
	2020	2019
	RMB'000	*RMB'000*
— Up to 3 months	**114,533**	109,866
— 3 to 6 months	**25,678**	12,416
— 6 months to 1 year	**5,952**	6,434
— 1 to 2 years	**5,078**	4,024
— 2 to 3 years	**2,702**	2,172
— Over 3 years	**9,454**	7,295
	163,397	142,207

The trade and other payables are usually paid within 60 days of recognition. As at December 31, 2020 and 2019, fair value of all trade and other payables of the Group approximated to their carrying amounts.

15 REVENUE

Revenue of the Group consists of the following:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
General Hospital		
Outpatient pharmaceutical revenue	**49,817**	49,413
Outpatient service revenue	**64,139**	62,999
Inpatient pharmaceutical revenue	**239,170**	222,373
Inpatient service revenue	**198,507**	166,402
Medical Examination Centers		
Examination service revenue	**1,275,521**	1,164,161
Management service revenue and others	**3,077**	5,817
Specialty Hospitals		
Outpatient pharmaceutical revenue	**3,918**	1,688
Outpatient service revenue	**25,089**	10,688
Inpatient pharmaceutical revenue	**989**	792
Inpatient service revenue	**64,963**	40,930
Management service revenue and others	**–**	943
	1,925,190	1,726,206

16 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses	**794,480**	782,279
Depreciation and amortization	**371,540**	354,922
Pharmaceutical costs	**177,116**	149,810
Outsourced testing expenses	**125,619**	105,235
Medical consumables costs	**119,228**	133,372
Utility expenses	**65,748**	66,092
Professional service charges	**64,381**	27,388
Advertising expenses	**39,555**	49,887
Office expenses	**35,674**	38,021
Impairment losses on property and equipment	**18,076**	–
Maintenance expenses	**12,879**	8,735
Entertainment expenses	**10,658**	16,414
Travel expenses	**8,665**	8,415
Short-term or low-value operating lease rentals	**5,706**	3,325
Stamp duty and other taxes	**3,245**	3,109
Labour union dues	**3,232**	3,170
Auditor's remuneration		
– Audit services	**2,321**	2,362
– Non-audit services	**587**	451
Laundry expenses	**2,268**	2,418
Security costs	**1,342**	1,006
Medical risk insurance	**–**	1,027
Net impairment reversals on financial assets	**(1,340)**	(2,131)
COVID-19-related rent concessions (Note 2(d))	**(21,764)**	–
Other expenses	**24,443**	27,810
	1,863,659	1,783,117

17 FINANCE COSTS – NET

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**(102,963)**	(104,610)
Interest on borrowings	**(72,549)**	(43,342)
Interest on other financial liabilities	**(13,952)**	(12,278)
	(189,464)	(160,230)
Amount capitalised	**21,862**	879
	(167,602)	(159,351)
Net exchange losses	**(26,240)**	–
Finance costs	**(193,842)**	(159,351)
Interest income	**8,464**	11,989
Net exchange gains	**–**	6,354
Finance income	**8,464**	18,343
Finance costs – net	**(185,378)**	(141,008)

18 INCOME TAX (CREDIT)/EXPENSE

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

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– Current year	**39,225**	37,836
– Adjustments for current tax of prior periods	**(293)**	1,298
Deferred income tax (Note 5)	**(55,258)**	(36,884)
Income tax (credit)/expense	**(16,326)**	2,250

On March 16, 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 January 1, 2008. Under the CIT Law, the CIT rate applicable to the Group's subsidiaries located in mainland China from January 1, 2008 is 25%.

19 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for share option schemes.

	Year ended December 31,	
	2020	2019
Net loss attributable to owners of the Company *(RMB'000)*	**(7,876)**	(69,163)
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,591,183,000
Basic loss per share *(RMB)*	**(0.00)**	(0.04)

(b) Diluted

Diluted loss per share adjusts the figures used in the determination of basic loss 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 number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the share option scheme assuming they were exercised.

For the year ended December 31, 2020 and 2019, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, there would be no dilutive impact.

20 DIVIDEND

No dividend had been declared or paid during the year (2019: Nil) and the Board has resolved not to propose any final dividend for the year ended December 31, 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Strategic Outlook

Industry overview

In 2020, a pandemic brought the healthcare service industry back into the spotlight. Many healthcare practitioners on the frontline of the fight against the pandemic made a significant contribution to its effective control. Similar to many other sectors, the healthcare service sector as a whole was inevitably hit in the first half of the year, but revived in its second half as the pandemic mitigated.

With respect to general hospital business, the pandemic severely impacted the day-to-day operations of many hospitals during the first half of the year. According to the official website of the National Health Commission of the PRC, by the end of November 2020, there were 35,000 hospitals in the country, including 12,000 public hospitals and 23,000 private hospitals, a decrease of 6 public hospitals and an increase of 1,146 private hospitals compared to those as at the end of November 2019. In the first 11 months of 2020, there were 2.98 billion hospital visits nationwide, representing a year-on-year decrease of 12.5%, of which 2.51 billion took place in public hospitals, representing a year-on-year decrease of 13.0% and 470 million in private hospitals, representing a year-on-year decrease of 94%.

With respect to medical examination business, the year 2020 proved to be a volatile year. In the first half of 2020, the sudden outbreak of the pandemic had a serious impact on the number of outpatient visits to many public hospitals, let alone the inevitable decline in onsite medical examination visits. The second half of a year is usually traditional peak season for medical examination, and as the impacts of the pandemic gradually subsided and Chinese consumers became more health conscious, the lagging demand was gradually released and the volume of medical examination picked up rapidly, with some centers even experiencing a shortage of supply at peak times.

With respect to gynecology and paediatric specialty business, the pandemic did not dampen demand for high-end gynecology and paediatric services and the demand is still growing in the Yangtze River Delta region. In the long term, the trend of an overall declining birth rate is unlikely to change significantly for a while, and the new generation of consumers is increasingly demanding a better service experience, while there is still a shortage of supply in terms of high-end specialty gynecology and paediatric products in the market. It is expected that there are still room for the consumer demand for private high-end specialty gynecology and paediatric products to grow.

General hospital business

Nantong Rich Hospital is the only high-level general hospital in the Nantong Economic and Technological Development Zone (the "**Development District**"), which is currently a Class III Grade B general hospital and was celebrating its 20th anniversary in 2020. On the occasion of the outbreak of the pandemic, the hospital fulfilled its social responsibility to control the local pandemic and sent three medical staff to join the second batch of medical team from Nantong for supporting Huangshi, Hubei. The hospital was officially branded as Nantong University Affiliated Hospital in May 2020 and Nantong Rich Oncology Hospital as its second name in September 2020. In addition, in 2020, the hospital also took the lead in setting up a medical consortium for the Development District, and built a provincial and municipal-level stroke center. Nantong Rich Hospital Expansion II is progressing smoothly. As of December 31, 2020, the main structure of the Rehabilitation Center (now renamed as OGP Building of Nantong Rich Hospital) has passed acceptance and is expected to commence operation in October 2021. The Integrated Ward Building and the Storage and Event Center have been structurally closed and are expected to commence operation in July 2022. While expanding its infrastructure, the hospital is paying more attention to the training of medical talents and the improvement of service quality. The hospital attaches great importance to the development of clinical scientific research capabilities. For the reporting period, the hospital vigorously carried out research for new technologies at national, provincial and municipal levels, including two new projects and 42 ongoing research subjects. The hospital also places emphasis on quality control. In 2020, the quality of anti-tumour drug testing data from the hospital was among the highest in the country and the hospital has won awards for its pharmacy administration. As at December 31, 2020, the hospital had 964 staff on duty, including 293 doctors, 113 medical technicians and 433 nurses. At present, the hospital has one Construction Project for National Key Clinical Specialty (pediatric surgery) (國家臨床重點專科建設項目(小兒外科)), one Provincial Key Clinical Specialty under Construction (pediatrics) (省級重點建設專科(兒科)), five Municipal Key Clinical Disciplines Specialties (市級臨床重點專科) (including pediatrics, orthopedics, cardio-thoracic surgery, cardiovascular medicine, nursing (pediatrics)) and two Municipal Key Clinical Specialty under Construction (general surgery and ophthalmology) (市級臨床重點建設專科), and one Municipal Key Discipline under Construction (pediatrics general medicine) (市級重點建設學科(小兒內科)).

Nantong Rich Hospital was negatively influenced to a certain extent by the COVID-19 pandemic in the first half of the year, but as the pandemic subsided in the second half of the year, the hospital made positive adjustments to strengthen quality control, develop its departments with unique strength and optimise its business structure. Therefore, Nantong Rich Hospital has achieved revenue growth despite the decline in outpatient and inpatient visits. In 2020, Nantong Rich Hospital provided services for a total of 331,813 outpatient visits (2019: 366,821), representing a year-on-year decrease of 9.5% and 25,587 inpatient visits (2019: 26,352), representing a year-on-year decrease of 2.9%.

The Group established Nantong Rich Meidi Elderly Care Center Co., Ltd (南通瑞慈美邸護理院有限公司) ("**Nantong Meidi**") and Nantong Rich Hemodialysis Center, leveraging on the medical resources of Nantong Rich Hospital for synergy. As of December 31, 2020, the care center served 103 elderly people (2019: 106) with an occupancy rate of 97.2% (2019: 100%). The occupancy rate decreased by 2.9% in 2020 compared to last year as the care center implemented the pandemic prevention requirements for fully closed management, by discharging but not admitting elderly people during the pandemic. In 2020, Nantong Rich Hemodialysis Center provided dialysis treatment 16,601 times (2019: 13,469), representing an increase of 23.3% compared to last year.

Medical examination business

The medical examination business is the Group's largest revenue-generating business. In 2020, the medical examination chain segment continued to promote its dual branding strategy with the mid-to-high-end brand "Rich Medical Examination" and the high-end brand "MEDIC International Medical Examination Center (奉元會國際健檢中心)". The second MEDIC center was officially opened in Shanghai in the second quarter of 2020. At the same time, the medical examination chain segment has implemented a key market strategy, exploring the Greater Bay Area and other cities in between while continuing to holistically develop two key markets, Shanghai and Jiangsu.

As of December 31, 2020, the Group had 61 medical examination centers in China (2019: 59), representing a year-on-year growth of 3.4%, among which 57 centers were in operation (2019: 51), representing a year-on-year growth of 11.8%, covering 28 cities. Their presence was mainly concentrated on first tier, new first tier and second tier cities.

Although the pandemic had a negative impact on the medical examination business, especially in the first half of the year when some centers were unable to operate normally in accordance with the local pandemic prevention policy thus the volume of medical examinations decreasing , the volume of medical examinations rebounded quickly in the second half of the year and therefore the medical examination business still achieved a modest growth in 2020. In 2020, the total number of visits of customers with respect to our medical examination business was 2,531,668 (2019: 2,306,195), representing a year-on-year increase of 9.8%; where corporate clients comprise the main customer base of the Group for medical examination services, accounting for approximately 77.6%. In 2020, the numbers of corporate and individual customers were 1,964,457 and 567,211 respectively (2019: 1,891,616 and 414,579 respectively), an increase of 3.9% and 36.8% respectively. Per capita spending was RMB504 (2019: RMB504).

Specialty hospital business

Our Obstetrics, Gynecology and Pediatrics ("**OGP**") specialty segment has established a strategic cooperation with Children's Hospital of Fudan University (復旦大學附屬兒科醫院), Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院) and Children's Hospital of Shanghai Jiao Tong University (上海市交通大學附屬兒童醫院). Currently, there are three OGP specialty hospitals under this segment, which are located respectively in Changzhou, Shanghai and Wuxi. All of these three hospitals are aimed at high-net-worth individuals and are specialized in OGP as well as medical-graded maternity care, which are rare in the market.

During 2020, the sterile supply center of Changzhou Rich Obstetrics & Gynecology Hospital successfully passed the acceptance and started the operation and development of specialty departments. Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital Co. Ltd. ("上海瑞慈水仙婦兒醫院有限公司") ("**Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital Co. Ltd.**") officially launched the second phase of its maternity care center in the first half of 2020, and VIP outpatient vaccination services for adults and children in the second half of the year, while keeping introducing well known and popular expert doctors. All of these efforts have laid the foundation for the future development of more services. Wuxi Rich Obstetrics & Gynecology Hospital (無錫瑞慈婦產醫院) ("**Wuxi Rich Obstetrics & Gynecology Hospital**") has partnered with Wuxi branch of People's Insurance of China (中國人民保險公司無錫分公司) to launch a customized high-end medical insurance product, "Wuxi Rich Baby", and was officially approved as a designated medical institution under the medical insurance scheme of Wuxi City in the second half of 2020.

During the pandemic, our three OGP hospitals strengthened their prevention and control measures, providing a more optimized and safer medical environment for high-net-worth individuals. All the three OGP hospitals achieved varying degrees of progress in terms of outpatient visits and inpatient stays in 2020. Changzhou Rich Obstetrics, Gynecology and Pediatric Hospital received 23,728 outpatient visits (2019: 22,265) in total in 2020, representing a year-on-year increase of 6.6%. As a consequence of the pandemic, the paediatric department, one of the core departments of Changzhou Rich Obstetrics & Gynecology Hospital, was unable to operate normally, resulting in a drop to 583 inpatient stays (2019: 674) in 2020, representing a decrease of 13.5% compared to last year. Its postpartum care center had 530 admissions (2019: 508), representing an increase of 4.3% compared to last year. In total, Shanghai Shuixian Obstetrics & Gynecology and Pediatric Hospital received 13,706 outpatient visits (2019: 5,887), representing an increase of 132.8% and 282 inpatient stays (2019: 174), representing an increase of 62.1%. Its postpartum care center had 137 admissions (2019: 105), representing an increase of 30.5%. Wuxi Rich Obstetrics, Gynecology and Pediatric Hospital, who has the shortest operating duration among our three OGP hospitals, received 5,508 outpatient visits (2019: 950), representing an increase of 479.8% compared to last year and 168 inpatient stays (2019: 8), representing an increase of 2,000.0% compared to last year. Its postpartum care center had 248 admissions (2019: 87), an increase of 185.1% compared to last year.

Prospects

In the post-pandemic era, private hospitals will meet more social expectations and take more social responsibilities. Subsequently, Nantong Rich Hospital will develop under the theme of "Building, Development and Accumulation", by optimising its structure, strengthening its implication, enhancing its core competitiveness, increasing its popularity and talent pool to ensure the success of Nantong Rich Hospital Expansion II. The hospital will take vascular intervention (large blood vessels), neurovascular center, traditional Chinese care rehabilitation and atrial fibrillation center as new growth points, strengthening the penetration of large-scale equipment, broadening the scope of their application, adjusting its revenue structure, improving its clinical support and promoting the rapid growth of key supported departments and partner departments. The long-term goal of Nantong Rich Hospital is to become a general hospital with high technical expertise and high reputation in the region. With the recent launch of the Hu-Su-Tong Connection High Speed Rail (滬蘇通高鐵) and the construction of the new Nantong Airport, the hospital is expected to capture the benefits arising from the enhanced geographical advantage of the region, while further strengthening its technical capabilities. The Nantong Rich Hospital Expansion II is now well in progress. Upon its completion, the number of beds is expected to increase significantly, addressing the current shortage.

Although the medical examination industry in China has been developed for many years, the current coverage of medical examinations in China is still lower than that in developed markets such as Japan, and the average per capita price of medical examinations still has more room for growth compared to developed markets such as Japan. Against this backdrop, the Group's medical examination chain segment will continue to implement the dual-brand strategy with the mid-to-high-end brand "Rich Medical Examination" and the high-end brand "MEDIC International Medical Examination Center" to meet the demand of Chinese consumers for more accurate and personalised medical examination services. On the other hand, we will continue to develop the Shanghai and Jiangsu markets, explore Zhejiang and Greater Bay Area markets, and strategically establish our presence in other key cities.

The Yangtze River Delta region is the core region for the Group's business development, and the choice to place the hospitals under the OGP segment in the Yangtze River Delta is made with a view to leverage the Group's brand strength and accumulated resource in the region. The goal of Rici OGP specialty segment is to become a leading brand of private OGP hospitals in the Yangtze River Delta region. In the short term, Rici OGP segment will implement the development strategy of "Strong General Hospitals with Excellent Specialty Departments" and further strengthen the brand, reputation and influence of the hospital by expanding the front, middle and back end of the obstetrics business and meanwhile developing new general-purpose technologies and projects. The long-term goal of Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital is to serve as the flagship hospital of Rici OGP specialty segment and to become a service platform that gathers renowned doctors in Shanghai; Changzhou Rich Obstetrics & Gynecology Hospital will strive to become a specialty hospital with local characteristics; and Wuxi Rich Obstetrics & Gynecology Hospital will strive to build up its brand influence in the region as soon as possible.

Financial Review

Revenue

We derive revenue mainly from our general hospital business and medical examination business. The following table sets forth the components of our revenue by operating segments for the periods indicated:

	Year ended December 31,		
	2020	2019	Change (%)
	(RMB'000)	*(RMB'000)*	
General hospital business	**579,927**(1)	522,384(1)	11.0%
Medical examination business	**1,278,598**(2)	1,170,496(2)	9.2%
Specialty hospital business	**94,959**	55,041	72.5%
Inter-segment	**(28,294)**	(21,715)	30.3%
Total	**1,925,190**	1,726,206	11.5%

Notes:

(1) Included the revenue from hemodialysis business.

(2) Included the revenue from embedded clinic business in medical examination centers.

Our revenue increased by 11.5% from RMB1,726.2 million in 2019 to RMB1,925.2 million in 2020.

Revenue from the general hospital business in 2020 amounted to RMB551.6 million, representing an increase of 10.1% from the revenue of RMB501.2 million in 2019, excluding the inter-segment revenue of RMB28.3 million and RMB21.2 million in 2020 and 2019, respectively. Such increase was mainly attributable to the increase in the revenue per inpatient by 15.9%, leading to an increase of the revenue from inpatients by RMB48.9 million, and meanwhile, the increase in the revenue per outpatient by 10.6%, leading to an increase in outpatient revenue of RMB1.5 million.

Revenue from the medical examination business for 2020 amounted to RMB1,278.6 million, representing an increase of 9.3% from RMB1,170.0 million for 2019, excluding the inter-segment revenue of RMB0.5 million for 2019, while there is no inter-segment revenue for the year ended December 31, 2020.

Revenue from the specialty hospital business for 2020 amounted to RMB95.0 million (2019: RMB55.0 million). For 2020, the numbers of outpatients and inpatients served by our specialty hospital services were 42,942 and 1,948, respectively. Revenue generated from outpatient and inpatient visits were RMB29.0 million and RMB66.0 million, respectively.

Cost of sales

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

	Year ended December 31,		
	2020	2019	Change (%)
	(RMB'000)	*(RMB'000)*	
General hospital business	**415,322**[(1)]	370,143[(1)]	12.2%
Medical examination business	**772,780**[(2)]	723,044[(2)]	6.9%
Specialty hospital business	**184,718**	167,978	10.0%
Inter-segment	**(28,294)**	(18,941)	49.4%
Total	**1,344,526**	1,242,224	8.2%

Notes:

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

(2) Included the cost of sales of embedded clinic business in medical examination centers.

Our cost of sales increased by 8.2% from RMB1,242.2 million in 2019 to RMB1,344.5 million in 2020.

Cost of sales of the general hospital business during 2020 amounted to RMB415.3 million, representing an increase of 12.2% from RMB370.1 million in 2019. The increase was mainly attributable to the increase in the cost caused by the expansion of revenue scale in 2020.

Cost of sales of our medical examination business in 2020 amounted to RMB772.8 million, representing an increase of 6.9% from RMB723.0 million in 2019, mainly attributable to the increase in the cost caused by expansion of revenue scale in 2020. However, fixed costs such as depreciation and amortization were relatively stable, so the growth rate of costs was lower than that of revenue.

Cost of sales of our specialty hospital business in 2020 amounted to RMB184.7 million, representing an increase of 10.0% from RMB168.0 million in 2019. This was mainly due to that (i) with the growth of revenue scale, variable costs, such as pharmaceutical costs and medical consumables costs, have increased; and (ii) specialty hospitals were at the early stage of operation, and their business volumes were not yet saturated, while fixed costs, such as staff costs, depreciation and amortization, were relatively stable. Therefore, the growth rate of costs was much lower than that of revenue.

Gross profit

Our gross profit increased from RMB484.0 million in 2019 to RMB580.7 million in 2020. Gross profit margin increased by 2.2 percentage points from 28.0% in 2019 to 30.2% in 2020.

Distribution costs and selling expenses

Our distribution costs and selling expenses amounted to RMB226.3 million in 2020, as compared to RMB237.6 million in 2019. The decline was mainly due to the slight decrease of advertising expenses as affected by the pandemic.

Administrative expenses

Our administrative expenses amounted to RMB294.2 million in 2020, as compared to RMB305.4 million in 2019.

Other income

Our other income, which mainly represented government subsidies, rental income and income from short-term wealth investment product, amounted to RMB23.3 million in 2020 (2019: RMB30.3 million).

Other losses

Our other losses in 2020 amounted to RMB9.1 million, as compared to the other loss of RMB0.8 million in 2019. The other losses mainly represented the losses from disposal of fixed assets and the closure of Yantai Rich Ruigao Clinic Co., Ltd., a subsidiary of the Group in 2020, for which a provision of RMB4.8 million was made as liquidated damages for lease of property.

Finance costs — net

We had net finance costs of RMB185.4 million in 2020, as compared to net finance costs of RMB141.0 million in 2019. The interest expenses amounted to RMB167.6 million in 2020, representing an increase of RMB8.2 million from RMB159.4 million in 2019. The net exchange losses amounted to RMB26.2 million representing an increase of RMB32.6 million from RMB6.4 million net exchange gains in 2019.

Share of results of investments accounted for using equity method

In 2020, the Group recognized a share of profit of RMB0.8 million from investments accounted for using equity method (2019: RMB0.2 million) in its consolidated results, mainly due to the operating profit of RMB0.7 million of Nantong Meidi, 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 the operating profit of RMB0.1 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income tax credit/expense

For 2020, income tax credit amounted to RMB16.3 million (2019: income tax expense of RMB2.3 million). Such decrease in income tax was mainly due to the increase in deferred income tax assets which related to temporary differences and tax losses as at December 31, 2020 and the Group’s assessment of future taxable profits.

Loss for the year

For the foregoing reasons, in 2020, we recorded net loss of RMB92.5 million (2019: net loss of RMB170.5 million), mainly due to the fact that losses decreased as revenues from various segments increased by different degrees.

Adjusted EBITDA

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we adopted adjusted EBITDA as an additional financial measure. We defined adjusted EBITDA as loss/profit for the year before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA is not an alternative to (i) loss/profit before income tax or loss/profit for the year (as determined in accordance with HKFRSs) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance or liquidity. The following table reconciles our loss for the years under HKFRSs to our definition of adjusted EBITDA for the years indicated.

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Adjusted EBITDA calculation		
Loss for the period	**(92,497)**	(170,498)
Adjusted for:		
Income tax (credit)/expense	**(16,326)**	2,250
Finance costs — net	**185,378**	141,008
Depreciation and amortization	**371,540**	354,922
Pre-opening expenses and EBITDA loss of soft-opening (1)	**2,768**	51,349
Share option expenses	**17,351**	25,634
Adjusted EBITDA	**468,214**	404,665
Adjusted EBITDA margin (2)	**24.3%**	23.4%

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) EBITDA loss of newly-operated medical examination centers and a specialty hospital incurred during the period from which they commence operation.

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

The adjusted EBITDA amounted to RMB468.2 million in 2020, representing an increase of 15.7% from RMB404.7 million in 2019, mainly due to the increase of profits as a result of the enlarged scale of revenue for the year.

Financial Position

Property and equipment

Property and equipment primarily consist of buildings, medical equipments, general equipments, leasehold improvements and construction in progress. As at December 31, 2020, the property and equipment of the Group amounted to RMB1,242.7 million, representing an increase of RMB82.2 million as compared to RMB1,160.5 million as at December 31, 2019. The increase of property and equipment was primarily due to the Nantong Rich Hospital Expansion II, and the acquisition of equipments as well as the renovation for new medical examination centers.

Trade receivables

As at December 31, 2020, the trade receivables of the Group were RMB282.7 million, representing a decrease of RMB7.3 million as compared to RMB290.0 million as at December 31, 2019.

Net current liabilities

As at December 31, 2020, the Group's current liabilities exceeded its current assets by RMB737.7 million (as at December 31, 2019: the Group's current liabilities exceeded its current assets by RMB657.5 million). The increase of the Group's net current liabilities was mainly due to (i) a significant increase in prepayments recevied from sales of medical examination cards as at December 31, 2020; and (ii) the increase in borrowings as at December 31, 2020.

Liquidity and capital resources

As at December 31, 2020, the Group had cash and cash equivalents of RMB561.8 million (as at December 31, 2019: RMB329.6 million), with available unused bank facilities of RMB162.4 million (as at December 31, 2019: RMB558.1 million). As at December 31, 2020, the Group had outstanding borrowings of RMB1,285.2 million (as at December 31, 2019: RMB922.8 million), including non-current portion of long-term borrowings of RMB546.3 million (as at December 31, 2019: RMB259.3 million). Based on the Group's past experience and good credit standing, the Directors are confident that such bank facilities could be renewed or extended for at least another twelve months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimise the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to Note 8 to the consolidated financial information.

Significant investments, material acquisitions and material disposals

For the year ended December 31, 2020, save as disclosed below, the Group did not have any significant investment, material acquisition or material disposal:

On July 17, 2020, Shanghai XDWYS Asset Management Co., Ltd.* (上海新東吳優勝資產管理有限公司) ("**Vendor**"), a company incorporated under the laws of the PRC on February 25, 2013 with limited liability and a licensed financial institution under the supervision of China Securities Regulatory Commission, entered into equity transfer agreements with Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司) ("**Purchaser**"), an indirect wholly-owned subsidiary of the Company, in respect of transfer of 30% equity interest in each of Guangzhou Rich Zhongxin Clinic Co., Ltd. (廣州瑞慈中信門診部有限公司), Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司), Nanjing Rich Ruixiang Clinic Co., Ltd. (南京瑞慈瑞祥門診部有限公司), Nantong Rich Ruifeng Clinic Co., Ltd. (南通瑞慈瑞峰健康體檢中心有限公司), Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司), 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) and Xuzhou Rich Ruixu Clinic Co., Ltd. (徐州瑞慈瑞徐體檢門診部有限公司) (collectively as "**Target Companies**", and each a "**Target Company**") from the Vendor to the Purchaser, at total consideration of RMB155.0 million ("**Transactions**"). Upon completion of the Transactions, the Vendor will cease to hold any equity interest in the Target Companies, and the Company will indirectly hold 81% equity interest through its subsidiaries in each of the Target Companies.

For details of the Transactions, please refer to the announcements of the Company dated July 17, 2020 and September 3, 2020.

Capital expenditure and commitments

For the year ended December 31, 2020, the Group incurred capital expenditures of RMB296.9 million (2019: RMB568.4 million), primarily due to (i) the Nantong Rich Hospital Expansion II ; (ii) purchases of medical equipment as well as renovation for our medical examination centers, general hospital and specialty hospitals; and (iii) the lease of business premises for new medical examination centers.

As at December 31, 2020, the Group had a total capital commitment of RMB74.7 million (as at December 31, 2019: RMB229.0 million), mainly comprising the related contracts of Nantong Rich Hospital Expansion Phase II and the Group's system upgrade.

Borrowings

As at December 31, 2020, the Group had total bank and other borrowings of RMB1,285.2 million (as at December 31, 2019: RMB922.8 million). Please refer to Note 11 to the consolidated financial information for more details.

Contingent liabilities

The Group had no material contingent liability as at December 31, 2020 (as at December 31, 2019: Nil).

Financial instruments

The Group did not have any financial instruments as at December 31, 2020 (as at December 31, 2019: Nil).

Gearing ratio

As at December 31, 2020, on the basis of net debt divided by total capital, the Group's gearing ratio was 87.1% (as at December 31, 2019: 80.1%). Such increase of gearing ratio was mainly due to the acquisition of minority equity in some medical examination centers at a premium in 2020, which led to a decrease in capital reserve.

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, 2020, borrowings of RMB934,692,000 were with floating interest rate. We did not hedge our cash flow and fair value interest rate risk during the year ended December 31, 2020.

Foreign exchange risk

For the year ended December 31, 2020, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits from the Company's initial public offering on October 6, 2016 (the "**IPO**"), which were denominated in Hong Kong dollar, and the bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit risk

We have no significant concentration of credit risk. The carrying amount of cash and cash equivalents, trade and other receivables, 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 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. For evaluating whether there has been a significant increase in credit risk, the Group 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 RMB4,224.3 million as at December 31, 2020 (as at December 31, 2019: RMB3,946.0 million).

Pledge of assets

As at December 31, 2020, the Group had assets with a total carrying amount of RMB159,314,000 (as at December 31, 2019: assets of RMB123,160,000) and restricted deposits with an amount of USD38,650,000 (as at December 31, 2019: USD48,500,000) pledged for the Group's borrowings.

Besides, the Group had 22.06% equity interest in Nantong Rich Hospital (as at December 31, 2019: 22.06%) secured to guarantee the exercise of the option right granted to Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業(有限合夥)). For details, please refer to the announcement of the Company dated September 3, 2018.

USE OF PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. During the year 2020, the net proceeds from the listing were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated September 26, 2016 (the "**Prospectus**"), with the balance amounted to approximately RMB185.3 million. As disclosed in the announcement of the Company dated February 18, 2020, the remaining unutilized net proceeds from the IPO will be used in accordance with the Group's development strategies, market conditions and intended use of such proceeds, which has been changed by the Board from "establishment of our multi-function facility" to "establishment of new medical examination centers and upgrading and renovation of existing medical examination centers", and are expected to be fully utilized on or before December 31, 2022. Details are set out in the following table:

	Net amount available as at December 31, 2019 *(RMB'000)*	Actual amount utilized during the year of 2020 *(RMB'000)*	**Unutilized amount as at December 31, 2020** ***(RMB'000)***
Establishment of new medical examination centers and upgrading and renovation of existing medical examination centers	220,808	(35,552)	**185,256**

HUMAN RESOURCES

The Group had 7,162 employees as at December 31, 2020, as compared to 7,254 employees as at December 31, 2019. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of Cayman Islands, which would oblige the Company to offer new shares of the Company (the "**Shares**") on a pro-rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended December 31, 2020.

SUBSEQUENT EVENT

The Company is not aware of any significant event after the reporting period.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from June 15, 2021 to June 18, 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on June 18, 2021 (the "**2021 AGM**"). In order to be eligible to attend and vote at the 2021 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 June 11, 2021.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the year, save for deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.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 Yixin 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 Yixin performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang Yixin 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 Yixin (except his spouse, Dr. Mei Hong, and Mr. Fang Haoze, his son). The Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors as at the date of this announcement and has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the 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.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Board (comprising Ms. Wong Sze Wing (being an independent non-executive Director), Ms. Jiao Yan (being a non-executive Director) and Dr. Wang Yong (being an independent non-executive Director)) has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended December 31, 2020, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended December 31, 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.rich-healthcare.com). The annual report of the Company for the year ended December 31, 2020 will be despatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Rici Healthcare Holdings Limited
Fang Yixin
Chairman and Chief Executive Officer

Shanghai, the PRC, March 30, 2021

As at the date of this announcement, Dr. Fang Yixin, Dr. Mei Hong, Ms. Lin Xiaoying and Mr. Fang Haoze are the executive Directors; Ms. Jiao Yan is the non-executive Director; and Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing are the independent non-executive Directors.