

RICI HEALTHCARE
HOLDINGS LIMITED
瑞慈醫療服務控股
有限公司



2023
INTERIM REPORT
中期報告



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Definitions

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

“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	our board of Directors
“BVI”	British Virgin Islands
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 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 wholly owned by Dr. Mei
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Class III Hospital”	the largest and best regional hospitals in China designated as Class III hospitals by the NHC’s hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking more sophisticated academic and scientific research initiatives
“Company”, “our Company”, “Rici”, “Group”, “we”, “our” 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
“COVID-19” or “Pandemic”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which is believed to have first emerged in late 2019
“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, the spouse of Dr. Mei and the father of Mr. Fang Haoze
“Dr. Mei”	Dr. Mei Hong, our executive Director, a Controlling Shareholder, 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
“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 10 to the Listing Rules
“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
“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 a joint venture of our Group
“NHC”	National Health Commission (國家衛生健康委員會) of the PRC
“Nomination Committee”	the nomination committee of the Board
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on September 19, 2016
“Prospectus”	the prospectus of the Company dated September 26, 2016
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six months ended June 30, 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
“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 the Company on September 19, 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

Corporate Information

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, Hong Kong

REGISTERED OFFICE

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL BANKERS

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Hong Kong

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Shanghai
PRC

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

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

Bank of Shanghai
Zhangjiang Sub-Branch
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Shanghai
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HONG KONG LEGAL ADVISER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
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103 South Church Street
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

WEBSITE

www.rich-healthcare.com

Management Discussion and Analysis

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

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

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

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

General Hospital Business

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

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

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

Located in Nantong Rich Hospital, Nantong Rich Meidi Elderly Care Centre is a subsidiary of joint venture formed by Rici Hospital and Medical Care Service Company Inc., which is a senior care institution combined with medical and wellness services integrating professional senior care, nursing care, and rehabilitation and physical therapy. As at June 30, 2023, Nantong Rich Meidi Elderly Care Centre served 106 elderly people (as at June 30, 2022: 102) with an occupancy rate of 100% (as at June 30, 2022: 96.2%).

Medical Examination Business

The revenue of the medical examination business accounts for the largest share of the Group's total revenue. During the Reporting Period, the Group continuously adhered to the strategy of dual-brand operation and development of key markets, with the mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC International Medical Examination" complementing each other to satisfy Chinese consumers' demand for more segmented and personalized medical examination services. In view of "Rici Medical Examination", the Group implemented the strategy of development of key markets, and insisted on focusing on two major markets, Shanghai and Jiangsu, and marching into Beijing, the Greater Bay Area and other first-tier cities, new first-tier cities and second-tier cities. As at June 30, 2023, the Group had 76 medical examination centers in China, among which 66 centers were in operation, covering 29 cities.

Management Discussion and Analysis

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

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

Prospects

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

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

FINANCIAL REVIEW

Revenue

The Group's revenue from our continuing operations was mainly generated from general hospital business and medical examination business. The following table sets forth the components of our revenue by operating segments for the periods indicated:

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

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

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

Management Discussion and Analysis

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

Cost of Sales

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

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

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

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

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

Gross Profit

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

Distribution Costs and Selling Expenses

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

Administrative Expenses

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

Other Income

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

Other Losses

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

Finance Costs — Net

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

Share of Results of Investments Accounted for Using Equity Method

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

Income Tax Expense/(Credit)

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

Profit/(Loss) for the Period

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

Management Discussion and Analysis

Adjusted EBITDA

To supplement our interim condensed consolidated financial information which are presented in accordance with HKAS 34 Interim Financial Reporting, we use adjusted EBITDA as an additional financial measure. We define adjusted EBITDA as profit/(loss) for the period before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA is not an alternative to (i) profit/(loss) before income tax or profit/(loss) for the period (as determined in accordance with HKFRSs) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance or liquidity. The following table reconciles our profit/(loss) for the periods under HKFRSs to our definition of adjusted EBITDA for the periods indicated.

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

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

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at June 30, 2023, the property and equipment of the Group amounted to RMB1,582.2 million, representing an increase of RMB137.6 million as compared to that of RMB1,444.6 million as at December 31, 2022.

Trade Receivables

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

Net Current Liabilities

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

Liquidity and Capital Resources

As at June 30, 2023, the Group had cash and cash equivalents of RMB570.4 million (as at December 31, 2022: RMB720.1 million), with available unused bank facilities of RMB175.0 million (as at December 31, 2022: RMB170.0 million). As at June 30, 2023, the Group had outstanding borrowings of RMB864.5 million (as at December 31, 2022: RMB935.3 million), with non-current portion of long-term borrowings of RMB274.4 million (as at December 31, 2022: RMB320.2 million). Based on the Group's past experience and good credit standing, the Directors are confident that such bank facilities could be renewed or extended for at least 12 months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimize the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to Note 15 to the interim condensed 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)) has exercised the repurchase option and entered the share repurchase agreement with the Group to transfer 4.41% equity interest of Nantong Rich Hospital to the Group. The first payment of RMB100,000,000 was made by the Group on January 17, 2023 and the remaining payment of RMB64,008,000 was made on January 31, 2023. For details, please refer to the announcement dated January 16, 2023.

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

Management Discussion and Analysis

Capital Expenditure and Commitments

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

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

Borrowings

As at June 30, 2023, the Group had total bank and other borrowings of RMB864.5 million (as at December 31, 2022: RMB935.3 million). Please refer to Note 19 to the interim condensed consolidated financial information for more details.

Contingent Liabilities

The Group had no material contingent liability as at June 30, 2023 (as at December 31, 2022: Nil).

Financial Instruments

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

Gearing Ratio

As at June 30, 2023, on the basis of net debt divided by total capital, the Group's gearing ratio was 61.0% (as at December 31, 2022: 63.6%). The decrease in gearing ratio was mainly due to the decline in the Group's net financing and the increase in total equity.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to changes in interest rates is mainly attributable to our bank borrowings and lease liabilities.

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at June 30, 2023, borrowings of RMB401,549,000 were with floating interest rates (as at December 31, 2022: RMB532,325,000). We did not hedge our cash flow and fair value interest rate risk in the Reporting Period.

Foreign Exchange Risk

For the Reporting Period, the Group was not exposed to significant foreign currency risk, except for bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

We have no significant concentration of credit risk. The carrying amount of cash and cash equivalents, trade and other receivables and deposits from long-term leases represent our maximum exposure to credit risk in relation to our financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problem.

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

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information. The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group also considers available reasonable and supportive forward-looking information.

The credit risk of hospital business is related to the recoverability of trade receivables and other receivables. The credit risk of medical examination business is related to the length of the overdue period of trade receivables from corporate customers and other receivables.

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital contribution from the Shareholders as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB2,988.9 million as at June 30, 2023 (as at December 31, 2022: RMB3,426.6 million).

Pledge of Assets

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

HUMAN RESOURCES

The Group had 8,976 employees as of June 30, 2023, as compared to 8,737 employees as of 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 option scheme and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

Supplementary Information

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the 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 interim 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Audit Committee

The Audit Committee, comprising Ms. Wong Sze Wing, Mr. Jian Peixing and Dr. Wang Yong, has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period.

Auditor

In addition, the Company's external auditor, BDO Limited, has performed an independent review of the Group's interim condensed consolidated financial statements for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

CHANGES OF MEMBERS OF THE BOARD AND UPDATE ON THE DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

There is no change in information on the Directors since the date of the annual report 2022 of the Company which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION 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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 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;	872,550,000 (L)	54.87%
Dr. Fang ⁽³⁾	Long position	Interest of spouse	872,550,000 (L)	54.87%

(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 872,550,000 Shares as at June 30, 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/underlying shares interested divided by the number of the Company's issued shares as at June 30, 2023.

(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 June 30, 2023, Chelsea Grace held 54.87% of our issued share capital and thus was our associated corporation.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 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 June 30, 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	872,550,000 (L)	54.87%
Renaissance Healthcare Holdings Limited ("Baring Investor") ⁽²⁾	Beneficial owner	268,286,800 (L)	16.87%
BPEA Private Equity Fund V, L.P. ⁽²⁾	Interest of a controlled corporation	268,286,800 (L)	16.87%
BPEA Private Equity GP V, L.P. ⁽²⁾	Interest of a controlled corporation	268,286,800 (L)	16.87%
BPEA Private Equity GP V Limited ⁽²⁾	Interest of a controlled corporation	268,286,800 (L)	16.87%
BPEA EQT Holdings AB ⁽²⁾	Interest of a controlled corporation	268,286,800 (L)	16.87%
EQT AB ⁽²⁾	Interest of a controlled corporation	268,286,800 (L)	16.87%

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) Baring Investor is held as to 99.35% by BPEA Private Equity Fund V, L.P. BPEA Private Equity Fund V, L.P. is 100% controlled by the general partner, BPEA Private Equity GP V, L.P., which is in turn 100% controlled by the general partner, BPEA Private Equity GP V Limited. BPEA Private Equity GP V Limited is held as to 100% by BPEA EQT Holdings AB, which is held as to 100% by EQT AB.

Each of BPEA Private Equity Fund V, L.P., BPEA Private Equity GP V, L.P., BPEA Private Equity GP V Limited, BPEA EQT Holdings AB and EQT AB is therefore deemed to be interested in the Shares held by Baring Investor under the SFO.

* The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at June 30, 2023.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 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.

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 in the grant letter) 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 currently available for issue 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 interim 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

No options were exercised, cancelled or lapsed by the Company under the Pre-IPO Share Options Scheme during the Reporting Period.

Supplementary Information

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the Reporting Period are set out below:

Name of option holder	Outstanding as at January 1, 2023	Number of Options			Outstanding as at June 30, 2023	Exercise Price
		Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
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 to the Company 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 to the Prospectus.

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 18 to the interim condensed consolidated financial statements in this interim 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**") and as at the date of this interim 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 at June 30, 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 has been signed. Details of such options granted to the associate of a Director are set out as follows:

Director's associate	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.

Supplementary Information

Details of the options granted under the Share Option Scheme and those remained outstanding as at June 30, 2023 are as follows:

Name of option holder	Date of Grant	Number of Options				Outstanding as at June 30, 2023	Exercise Price
		Outstanding as at January 1, 2023	Exercised during the Report Period	Cancelled during the Report Period	Lapsed during the Report Period		
Associate of Director							
Mr. Mei Ye ⁽¹⁾	November 24, 2017	700,000	-	-	-	700,000	HK\$2.42
Other Employees							
	November 24, 2017	63,660,000	-	8,260,000	-	55,400,000	HK\$2.42
Total		64,360,000	-	8,260,000	-	56,100,000	

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 18 to the interim condensed consolidated financial statements in this interim 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 to the Prospectus.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF RICI HEALTHCARE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 72, which comprises the interim condensed consolidated balance sheet of Rici Healthcare Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the “**interim financial information**”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with HKAS 34.

Report on Review of Interim Financial Information

Other matter

The condensed consolidated financial statements of the Group for the six months period ended 30 June 2022, were reviewed by another auditor who expressed an unmodified conclusion on those statements on 30 August 2022.

BDO Limited

Certified Public Accountants

Lui Chi Kin

Practising Certificate no. P06162

Hong Kong, 30 August 2023

Interim Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	1,582,169	1,444,578
Right-of-use assets	8	1,144,552	1,219,532
Intangible assets	9	5,120	5,388
Investments accounted for using equity method	10	9,562	9,122
Financial assets at fair value through profit or loss		1,500	1,500
Financial assets at fair value through other comprehensive income		185,420	181,725
Deposits for long-term leases	11	51,298	51,993
Deferred tax assets	12	119,744	124,806
Other receivables	14	100,000	110,000
Prepayments	16	59,973	61,893
		3,259,338	3,210,537
Current assets			
Inventories		37,539	38,727
Trade receivables	13	245,414	278,712
Other receivables	14	110,121	160,280
Prepayments	16	34,767	40,947
Amounts due from related parties	35	571	1,114
Cash and cash equivalents	15	570,408	720,141
Restricted cash	15	900	116,400
		999,720	1,356,321
Total assets		4,259,058	4,566,858
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	1,065	1,065
Reserves	18	1,074,567	952,853
		1,075,632	953,918
Non-controlling interests		(49,723)	(49,092)
Total equity		1,025,909	904,826

Interim Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	274,430	320,159
Lease liabilities	22	1,042,740	1,097,716
Deferred income	21	89,088	90,296
		1,406,258	1,508,171
Current liabilities			
Borrowings	19	590,119	615,166
Other financial liabilities	20	—	162,920
Lease liabilities	22	266,129	265,509
Contract liabilities	23	528,433	552,090
Trade and other payables	24	398,925	481,852
Amounts due to related parties	35	133	133
Income tax payables		42,615	69,351
Deferred income	21	537	6,840
		1,826,891	2,153,861
Total liabilities		3,233,149	3,662,032
Total equity and liabilities		4,259,058	4,566,858

The notes on pages 33 to 72 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Unaudited Six months ended 30 June 2023 RMB'000	Unaudited 2022 RMB'000 (Represented)
Continuing operations			
Revenue	25	1,284,340	804,538
Cost of sales	27	(800,307)	(642,582)
Gross profit		484,033	161,956
Distribution costs and selling expenses	27	(163,189)	(115,630)
Administrative expenses	27	(100,393)	(97,352)
Net impairment losses on financial assets	27	(2,374)	(781)
Other income	26	12,102	6,802
Other losses		(1,643)	(1,909)
Operating profit/(loss)		228,536	(46,914)
Finance costs	28	(61,535)	(60,453)
Finance income	28	12,496	12,024
Finance costs — net		(49,039)	(48,429)
Share of results of investments accounted for using equity method	10	440	162
Profit/(loss) before income tax		179,937	(95,181)
Income tax (expense)/credit	29	(53,718)	20,737
Profit/(loss) for the period from continuing operations		126,219	(74,444)
Discontinued operations			
Loss for the period from discontinued operations	30	—	(94,109)
Profit/(loss) for the period		126,219	(168,553)
Profit/(loss) attributable to:			
Owners of the Company		123,370	(117,854)
Non-controlling interests		2,849	(50,699)
		126,219	(168,553)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
From continuing operations and discontinued operations			
— Basic and diluted	31	RMB0.08	RMB(0.07)
From continuing operations			
— Basic and diluted	31	RMB0.08	RMB(0.02)
From discontinued operations			
— Basic and diluted	31	N/A	RMB(0.05)

The notes on pages 33 to 72 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2023

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

The notes on pages 33 to 72 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to Owners of the Company			Non-	Total equity
	Share capital	Reserves	Sub-total	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Balance at 1 January 2023	1,065	952,853	953,918	(49,092)	904,826
Profit for the period	—	123,370	123,370	2,849	126,219
Other comprehensive income	—	3,695	3,695	—	3,695
Total comprehensive income	—	127,065	127,065	2,849	129,914
Capital contributions by non-controlling interests of a subsidiary	—	—	—	5,750	5,750
Share option scheme	—	(5,351)	(5,351)	—	(5,351)
Dividend paid to non-controlling interests	—	—	—	(9,230)	(9,230)
Balance at 30 June 2023	1,065	1,074,567	1,075,632	(49,723)	1,025,909
(Unaudited)					
Balance at 1 January 2022	1,065	676,435	677,500	(90,074)	587,426
Loss for the period	—	(117,854)	(117,854)	(50,699)	(168,553)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss	—	(117,854)	(117,854)	(50,699)	(168,553)
Changes in ownership interests in subsidiaries without change of control	—	(27,054)	(27,054)	(2,306)	(29,360)
Capital contributions by non-controlling interests of a subsidiary	—	—	—	51,218	51,218
Share option scheme	—	5,568	5,568	—	5,568
Disposal of a subsidiary (Note 34)	—	—	—	(19,147)	(19,147)
Balance at 30 June 2022	1,065	537,095	538,160	(111,008)	427,152

The notes on pages 33 to 72 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	Unaudited	Unaudited
		Six months ended 30 June 2023	2022
		RMB'000	RMB'000
Cash flow from operating activities			
Cash generated from operations		351,985	189,254
Interest paid		(61,535)	(66,781)
Income tax paid		(71,397)	(62,220)
Net cash generated from operating activities		219,053	60,253
Cash flow from investing activities			
Purchases of property and equipment		(207,676)	(144,727)
Purchases of intangible assets		—	(6)
Proceeds from disposal of property and equipment		1,388	—
Temporary funding provided to non-controlling interests of a subsidiary		—	(37,000)
Disposal of a subsidiary		—	23,855
Release of restricted bank deposits	15(b)	115,500	13,351
Interest received		6,440	3,259
Consideration receivable received		50,000	—
Net cash used in investing activities		(34,348)	(141,268)
Cash flows from financing activities			
Loans from non-controlling interests of subsidiaries		—	14,570
Capital contributions from non-controlling interests of a subsidiary		5,750	36,648
Acquisition of non-controlling interests in subsidiaries without change of control		—	(29,360)
Repayment of other financial liabilities		(162,920)	—
Proceeds from bank borrowings		250,000	278,000
Repayments of bank borrowings		(304,000)	(349,581)
Repayments of other borrowings		(16,776)	(32,690)
Principal elements of lease payments		(103,027)	(54,697)
Dividend paid to non-controlling interests		(9,230)	—
Net cash used in financing activities		(340,203)	(137,110)
Net decrease in cash and cash equivalents		(155,498)	(218,125)
Cash and cash equivalents at beginning of the period		720,141	771,264
Exchange gain on cash and cash equivalents		5,765	7,806
Cash and cash equivalents at end of the period		570,408	560,945

The notes on pages 33 to 72 are an integral part of the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

1 General information

Rici Healthcare Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands on 11 July 2014. The address of the Company’s registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

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

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 6 October 2016.

The interim condensed consolidated financial information is presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated, and was approved and authorised for issue by the board of directors (the “**Board**”) of the Company on 30 August 2023.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”, and does not include all the notes of the type normally included in the annual financial statements. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and together with any public announcements made by the Company.

Going concern

As at 30 June 2023, the Group’s current liabilities exceeded its current assets by RMB827,171,000. Contract liabilities and deferred income included in current liabilities of the Group as at 30 June 2023 amounting to RMB528,970,000 in aggregate are not expected to create cash outflow for the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings and unutilised banking facilities provided by banks in the PRC. Based on the Group’s past experience and good credit standing, the directors are confident on future operating cash flows and that the Group’s bank financing could be renewed and/or extended for at least another twelve months upon maturity, as and when necessary. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

3 Accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those of the annual financial statements of the Group for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of new and amended standards, as set out below.

(a) New and amended standards adopted by the Group

- Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies
- Amendments to HKAS 8 — Definition of Accounting Estimates
- Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to HKAS 12 — International Tax Reform — Pillar Two Model Rules
- HKFRS 17 — Insurance Contracts and its Amendments

The new and amended standards listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future reporting periods.

(b) Revised standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
HK Interpretation 5 (revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenant (the “ 2022 Amendments ”)	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”)	1 January 2024
Amendments to HKFRS 16	Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These amendments described above are either currently not relevant to the Group or are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 Critical accounting estimates and judgements

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2022.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since year end.

5.2 Foreign exchange risk

The Group is engaged in the provision of general hospital services and medical examination services in the 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 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 30 June 2023, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the period would have been RMB1,837,000 (31 December 2022: RMB869,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At 30 June 2023, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the period would have been RMB2,549,000 (31 December 2022: RMB2,759,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5 Financial risk management (continued)

5.3 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 19.

As at 30 June 2023 and 31 December 2022 if interest rates had risen/fallen by 50 basis points with all other variables held constant, the Group's net results for the period/year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Unaudited Period ended 30 June 2023 RMB'000	Audited Year ended 31 December 2022 RMB'000
Net results (decrease)/increase		
— risen 50 basis points	(1,024)	(2,376)
— fallen 50 basis points	1,024	2,376

5.4 Credit risk

The Group's credit risk arises from cash and cash equivalents, trade receivables and other receivables, amounts due from related parties and deposits for long-term leases. The 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 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5 Financial risk management (continued)

5.5 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 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 analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date 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 30 June 2023 (Unaudited)					
Borrowings, including interest	591,527	95,690	179,320	—	866,537
Lease liabilities	279,630	248,836	659,274	535,598	1,723,338
Amounts due to related parties	133	—	—	—	133
Trade and other payables	398,925	—	—	—	398,925
	1,270,215	344,526	838,594	535,598	2,988,933
As at 31 December 2022 (Audited)					
Borrowings, including interest	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 30 June 2023 and 31 December 2022, respectively. Floating-rate interests are estimated using the current interest rate as at 30 June 2023 and 31 December 2022, respectively.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5 Financial risk management (continued)

5.6 Fair value estimation

5.6.1 Fair value hierarchy

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 30 June 2023 and 31 December 2022 on a recurring basis:

At 30 June 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets (Unaudited)				
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	—	—	185,420	185,420
	—	—	186,920	186,920
At 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets (Audited)				
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
	—	—	183,225	183,225

As at 30 June 2023 and 31 December 2022, the fair value of financial assets at fair value through profit or loss is approximately equal to their carrying amount. There's no change in level 3 instruments for the six months ended 30 June 2023.

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 market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

For the six months ended 30 June 2023

5 Financial risk management (continued)

5.6 Fair value estimation (continued)

5.6.1 Fair value hierarchy (continued)

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 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:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Opening balance	181,725	—
Acquisition	—	180,000
Fair value change during the period/year	3,695	1,725
Closing balance	185,420	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.

5.6.2 Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Fair value of trade receivables, other receivables, amounts due from related parties, trade and other payables, borrowings, lease liabilities, amount due to related parties, and other financial liabilities approximates to their carrying amount.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

6 Segment information

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

Management considers the business from a business perspective, and assesses the performance of the business segment based on segment profit without allocation of administrative expenses, net impairment losses on financial assets, interest income, interest expenses, net exchange gains, other income, other losses, share of result of investments accounted for using equity method and income tax expense.

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

The Group manages its business by two operating segments based on their services, which is consistent with the way in which information is reported internally to the Group’s CODM for the purpose of resources allocation and performance assessment. The principal assets employed by the Group are located in the PRC, and accordingly, no geographical segment analysis has been prepared.

During the year ended 31 December 2022, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments, as a result of the disposal of the specialty hospitals services business. Prior period segment disclosures have been represented to conform with the current period’s presentation.

(a) General hospital

The business of this segment is in Nantong, a city of Jiangsu Province. Revenue from this segment is derived from general hospital services provided by Nantong Rich Hospital Co., Ltd. (“**Nantong Rich Hospital**”) and maternity care services provided by Nantong Advanced Hejia Maternity and Child Nursing Service Co., Ltd.

(b) Medical examination centers

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

An operating segment regarding to the specialty hospitals services was discontinued during the year ended 31 December 2022. The segment information reported in the following table does not include any amounts for the discontinued operations.

The following table presents revenue and profit information regarding the Group’s operation segments for the six months ended 30 June 2023 and 2022, and the segment assets and liabilities as at 30 June 2023 and 31 December 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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 interim condensed consolidated statement of profit or loss.

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

6 Segment information (continued)

	General Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000 (Represented)	
Continuing operations						
For the six months ended						
30 June 2022 (unaudited)						
Revenue	322,260	488,439	—	(6,161)	804,538	
Segment profit/(loss)	72,801	(22,765)	(3,710)	—	46,326	
Administrative expenses					(97,352)	
Net impairment losses on financial assets					(781)	
Interest income					4,218	
Interest expenses					(60,453)	
Net exchange gains					7,806	
Other income					6,802	
Other losses					(1,909)	
Share of result of investments accounted for using equity method					162	
Loss before income tax					(95,181)	
Income tax credit					20,737	
Loss for the period from continuing operations					(74,444)	
As at 31 December 2022 (audited)						
Segment assets	1,603,527	3,728,725	5,332,252	1,218,944	(1,984,338)	4,566,858
Segment liabilities	962,875	3,162,734	4,125,609	699,139	(1,162,716)	3,662,032
Continuing operations						
For the six months ended 30 June 2022 (unaudited)						
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	70,836	201,258	272,094	—	—	272,094
Depreciation and amortisation	12,792	150,347	163,139	—	—	163,139

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

7 Property and equipment

	Buildings RMB'000	Medical equipments RMB'000	General equipments RMB'000	Leasehold improvements RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2023 (Audited)							
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)
Impairment	—	—	—	(18,076)	—	—	(18,076)
Net book amount	189,349	248,486	20,421	215,528	2,110	768,684	1,444,578
Six months ended 30 June 2023 (Unaudited)							
Opening net book amount	189,349	248,486	20,421	215,528	2,110	768,684	1,444,578
Additions	42,941	1,664	706	1,716	4,761	155,888	207,676
Transfers	688,125	96,385	4,545	59,572	—	(834,159)	14,468
Disposal	—	(64)	(18)	—	—	—	(82)
Written-off	—	—	—	—	—	(1,306)	(1,306)
Depreciation	(4,736)	(44,969)	(2,112)	(28,249)	(3,099)	—	(83,165)
Closing net book amount	915,679	301,502	23,542	248,567	3,772	89,107	1,582,169
As at 30 June 2023 (Unaudited)							
Cost	1,012,817	806,818	98,914	654,310	12,685	89,107	2,674,651
Accumulated depreciation	(97,138)	(505,316)	(75,372)	(387,667)	(8,913)	—	(1,074,406)
Impairment	—	—	—	(18,076)	—	—	(18,076)
Net book amount	915,679	301,502	23,542	248,567	3,772	89,107	1,582,169
As at 1 January 2022 (Audited)							
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)
Impairment	—	—	—	(18,076)	—	—	(18,076)
Net book amount	197,114	276,760	23,283	412,787	4,149	584,897	1,498,990
Six months ended 30 June 2022 (Unaudited)							
Opening net book amount	197,114	276,760	23,283	412,787	4,149	584,897	1,498,990
Additions	—	—	1,683	395	546	125,411	128,035
Transfers	—	21,919	—	5,665	—	(11,162)	16,422
Disposal of a subsidiary	—	(7,229)	(646)	(74,694)	(403)	(137)	(83,109)
Disposal	—	(22)	(91)	(6,017)	—	—	(6,130)
Depreciation	(4,147)	(40,119)	(5,120)	(40,739)	(327)	—	(90,452)
Closing net book amount	192,967	251,309	19,109	297,397	3,965	699,009	1,463,756
As at 30 June 2022 (Unaudited)							
Cost	278,981	683,120	93,540	716,288	10,235	699,009	2,481,173
Accumulated depreciation	(86,014)	(431,811)	(74,431)	(400,815)	(6,270)	—	(999,341)
Impairment	—	—	—	(18,076)	—	—	(18,076)
Net book amount	192,967	251,309	19,109	297,397	3,965	699,009	1,463,756

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

7 Property and equipment (continued)

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

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Continuing operations:		
Cost of sales	74,697	124,945
Distribution costs and selling expenses	94	194
Administrative expenses	8,374	15,526
Discontinued operations	—	21,958
	83,165	162,623

- (b) As at 30 June 2023, buildings with a total carrying amount of RMB156,931,000 (31 December 2022: RMB141,084,000) were pledged for the Group's borrowings (Note 19).
- (c) As at 30 June 2023, equipment with a total carrying amount of RMB22,595,000 (31 December 2022: RMB58,757,000) are pledged for the Group's borrowings (Note 19).

8 Right-of-use assets

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

8 Right-of-use assets (continued)

	Properties RMB'000	Equipment RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2023 (Audited)				
Cost	1,774,358	32,445	4,698	1,811,501
Accumulated depreciation	(572,729)	(17,440)	(1,800)	(591,969)
Net book amount	1,201,629	15,005	2,898	1,219,532
Six months ended 30 June 2023 (Unaudited)				
Opening net book amount	1,201,629	15,005	2,898	1,219,532
Transfer to property and equipment	—	(15,005)	—	(15,005)
Additions	48,671	—	—	48,671
Depreciation	(108,596)	—	(50)	(108,646)
Closing net book amount	1,141,704	—	2,848	1,144,552
As at 30 June 2023 (Unaudited)				
Cost	1,806,197	—	4,698	1,810,895
Accumulated depreciation	(664,493)	—	(1,850)	(666,343)
Net book amount	1,141,704	—	2,848	1,144,552
As at 1 January 2022 (Audited)				
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
Six months ended 30 June 2022 (Unaudited)				
Opening net book amount	1,251,864	20,413	2,998	1,275,275
Transfer to property and equipment	—	(16,674)	—	(16,674)
Additions	145,646	—	—	145,646
Revaluation	912	—	—	912
Disposal of a subsidiary	(48,203)	—	—	(48,203)
Disposal	(553)	—	—	(553)
Depreciation	(105,655)	(1,037)	(50)	(106,742)
Closing net book amount	1,244,011	2,702	2,948	1,249,661
As at 30 June 2022 (Unaudited)				
Cost	1,836,613	3,945	4,697	1,845,255
Accumulated depreciation	(592,602)	(1,243)	(1,749)	(595,594)
Net book amount	1,244,011	2,702	2,948	1,249,661

As at 30 June 2023, land with a total carrying amount of RMB2,848,000 (31 December 2022: RMB2,898,000) were pledged for the Group's borrowings (Note 19).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2023 (Audited)			
Cost	32,554	7,447	40,001
Accumulated amortization	(27,166)	—	(27,166)
Impairment	—	(7,447)	(7,447)
Net book amount	5,388	—	5,388
Six months ended 30 June 2023 (Unaudited)			
Opening net book amount	5,388	—	5,388
Transfer from construction in progress	537	—	537
Amortisation	(805)	—	(805)
Closing net book amount	5,120	—	5,120
As at 30 June 2023 (Unaudited)			
Cost	33,091	7,447	40,538
Accumulated amortisation	(27,971)	—	(27,971)
Impairment	—	(7,447)	(7,447)
Net book amount	5,120	—	5,120
As at 1 January 2022 (Audited)			
Cost	38,617	7,447	46,064
Accumulated amortisation	(27,746)	—	(27,746)
Impairment	—	(7,447)	(7,447)
Net book amount	10,871	—	10,871
Six months ended 30 June 2022 (Unaudited)			
Opening net book amount	10,871	—	10,871
Additions	6	—	6
Transfer from construction in progress	252	—	252
Disposal of a subsidiary	(1,277)	—	(1,277)
Amortisation	(2,233)	—	(2,233)
Closing net book amount	7,619	—	7,619
As at 30 June 2022 (Unaudited)			
Cost	35,975	7,447	43,422
Accumulated amortization	(28,356)	—	(28,356)
Impairment	—	(7,447)	(7,447)
Net book amount	7,619	—	7,619

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

10 Investments accounted for using equity method

	Unaudited Six months ended 30 June 2023 RMB'000	Unaudited 2022 RMB'000
Opening balance	9,122	8,703
Share of results	440	162
Ending balance	9,562	8,865

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

Company name	Country/date of incorporation and operation	Paid-in capital	Equity interests held		Nature of relationship
			As at 30 June 2023	As at 31 December 2022	
Shanghai Rich Meidi Management Consulting Co., Ltd.	29 October 2013, Shanghai, the PRC	RMB15,000,000	60%	60%	Joint Venture
Neijiang Rich Ruichuan Clinic Co., Ltd.	29 March 2017, Sichuan, the PRC	RMB14,313,000	20%	20%	Associate

11 Deposits for long-term leases

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

12 Deferred tax assets

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

12 Deferred tax assets (continued)

Movements in deferred income tax assets for both six months ended 30 June 2023 and 2022, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

	Tax losses carried forward RMB'000	Right-of- use assets and lease liabilities RMB'000	Share option scheme RMB'000	Deferred income RMB'000	Assets impairment RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2022 (Unaudited)	55,807	34,710	27,532	1,401	5,356	—	124,806
(Debited)/credited to condensed consolidated statement of profit or loss	(5,343)	2,716	(1,338)	(1,401)	304	—	(5,062)
As at 30 June 2023	50,464	37,426	26,194	—	5,660	—	119,744
As at 31 December 2021 (Unaudited)	138,572	41,592	24,834	1,401	4,656	2,433	213,488
Credited/(debited) to condensed consolidated statement of profit or loss	10,199	1,713	1,374	—	(456)	—	12,830
As at 30 June 2022	148,771	43,305	26,208	1,401	4,200	2,433	226,318

Deferred income tax assets are recognised 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 recognise deferred income tax assets of RMB97,080,000 (31 December 2022: RMB88,718,000) in respect of tax losses amounting to RMB388,940,000 (31 December 2022: 354,873,000) as at 30 June 2023. All these tax losses will expire within five years.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

13 Trade receivables

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

As at 30 June 2023 and 31 December 2022, the fair value of trade receivables of the Group approximated to their carrying amount.

The aging analysis of trade receivables based on the date the relevant service was rendered is as follows:

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

Movements of loss allowance for trade receivables are as follows:

	Unaudited Six months ended 30 June 2023 RMB'000	2022 RMB'000
At the beginning of the period	9,040	13,297
Increase in loss allowance	2,374	781
Receivables written off as uncollectible	(468)	(385)
At the end of the period	10,946	13,693

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

14 Other receivables

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Loans to non-controlling interests of subsidiaries (Note (a))	59,000	59,000
Deposits	15,999	14,497
Advances to staff	16,529	11,460
Interest receivable	—	3,257
Others (Note (b))	120,345	183,818
	211,873	272,032
Less: Loss allowance	(1,752)	(1,752)
	210,121	270,280
Current	110,121	160,280
Non-current	100,000	110,000
	210,121	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 30 June 2023.
- (b) Consideration receivable of RMB150,000,000 from the disposal of 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 settled on 31 March 2023; RMB50,000,000 would be settled in August 2024; and RMB\$50,000,000 would be settled in August 2025. The consideration receivable of RMB100,000,000 is not recoverable within twelve months from the reporting date as at 30 June 2023 and 31 December 2022, respectively.

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

As at 30 June 2023 and 31 December 2022, the fair value of other receivables approximated to their carrying amount.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

15 Cash and bank balances

(a) Cash and cash equivalents

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

(b) Restricted cash

As at 30 June 2023, no fixed deposits (31 December 2022: RMB52,000,000) were pledged at banks for the Group's borrowings (31 December 2022: RMB50,000,000) (Note 19).

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

16 Prepayments

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

Note:

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

17 Share capital

Ordinary shares, issued and fully paid:

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

18 Reserves

	Share premium RMB'000	Merger and capital reserves RMB'000 (c)	Statutory reserves and other reserves RMB'000 (a)	FVOCI reserve RMB'000	Share option scheme RMB'000 (b)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2023 (Unaudited)	715,292	(333,180)	226,702	1,725	110,672	231,642	952,853
Profit for the period	—	—	—	—	—	123,370	123,370
Other comprehensive income	—	—	—	3,695	—	—	3,695
Appropriation to statutory reserves	—	—	9,697	—	—	(9,697)	—
Share option scheme	—	—	—	—	(5,351)	—	(5,351)
As at 30 June 2023	715,292	(333,180)	236,399	5,420	105,321	345,315	1,074,567
As at 1 January 2022 (Unaudited)	715,292	(306,132)	209,219	—	99,724	(41,668)	676,435
Loss for the period	—	—	—	—	—	(117,854)	(117,854)
Change in ownership interest in subsidiaries without loss of control	—	(27,054)	—	—	—	—	(27,054)
Share option scheme	—	—	—	—	5,568	—	5,568
As at 30 June 2022	715,292	(333,186)	209,219	—	105,292	(159,522)	537,095

(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) Share option scheme

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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

18 Reserves (continued)

(b) Share option scheme (continued)

As at 30 June 2023, 47,710,500 (31 December 2022: 47,710,500) outstanding options were not exercised, among which Nil options have not yet been vested. These options with an exercise price of HKD1.60 per share upon vesting will be expired on 19 September 2026.

Another share option scheme was conditionally approved and adopted pursuant to a resolution of the shareholders of the Company passed on 19 September 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.

During the period ended 30 June 2023, 8,260,000 options were canceled as resignation of an employee.

As at 30 June 2023, 56,100,000 (31 December 2022: 64,360,000) outstanding options were not exercised, among which 22,440,000 (31 December 2022: 25,744,000) options have not yet been vested. These options with an exercise price of HKD2.42 per share upon vesting will be expired on 24 November 2027.

The number and weighted average exercise prices of share options are as follows:

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$	Number
Outstanding at beginning of the period/ year	2.07	112,070,500	2.07	112,070,500
Lapsed during the period/year	2.42	(8,260,000)	N/A	—
Outstanding at end of the period/year	2.04	103,810,500	2.07	112,070,500
Exercisable at end of the period/year	1.94	81,370,500	1.97	86,326,500

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

18 Reserves (continued)

- (c) In March 2022, the Group transferred the receivables to Shanghai Shuixian Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. (“Rici Shuixian”) of RMB11,207,000 to capital contribution without changing the equity structure. The Group recognised an increase in non-controlling interests of RMB4,483,000 and a decrease in equity attributable to owners of the Company of RMB4,483,000.

In March and May 2022, the Group transferred the receivables to Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (“Changzhou Rich”) of RMB14,630,000 to capital contribution without changing the equity structure. The Group recognised an increase in non-controlling interests of RMB6,156,000 and a decrease in equity attributable to owners of the Company of RMB6,156,000.

In March 2022, the Group transferred the receivables to Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. (“Wuxi Rich”) of RMB7,381,000 to capital contribution. In May 2022, the Group injected capital of RMB1,422,000 to Wuxi Rich. The equity interests of the Group had no change upon such transactions. The Group recognised an increase in non-controlling interests of RMB1,934,000 and a decrease in equity attributable to owners of the Company of RMB1,934,000.

In May 2022, the Group and Jinxin Holding Group Co., Ltd disproportionately increased the registered capital of Changzhou Rich and Wuxi Rich. The Group recognised an increase in non-controlling interests of RMB1,561,000 and a decrease in equity attributable to owners of the Company of RMB1,561,000 based on the difference between the capital contribution of the minority shareholder and the increased non-controlling interests.

In June 2022, the Group acquired 25.57% equity interests in Wuxi Rich at a total consideration of RMB29,360,000. The Group recognised a decrease in non-controlling interests of RMB16,440,000 and a decrease in equity attributable to owners of the Company of RMB12,920,000.

19 Borrowings

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

19 Borrowings (continued)

The Group's borrowings were repayable as follows:

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
30 June 2023				
Bank borrowings	575,000	88,000	176,000	839,000
Other borrowings	15,119	7,171	3,259	25,549
	590,119	95,171	179,259	864,549
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

Notes:

(a) As at 30 June 2023, bank borrowings include:

- i. RMB70,000,000 borrowings secured by the Group's buildings with net book value of RMB18,606,000 as at 30 June 2023 (Note 7);
- ii. RMB90,000,000 (31 December 2022: RMB120,000,000) borrowings secured by the Group's buildings with net book value of RMB31,896,000 (31 December 2022: RMB32,758,000) (Note 7);
- iii. RMB60,000,000 (31 December 2022: RMB20,000,000) borrowings secured by the Group's buildings with net book value of RMB32,291,000 (31 December 2022: RMB32,952,000) (Note 7); and
- iv. RMB113,000,000 (31 December 2022: RMB113,000,000) borrowings secured by the Group's land use rights with net book value of RMB2,848,000 (31 December 2022: RMB2,898,000) (Note 8) and buildings with net book value of RMB74,138,000 (31 December 2022: RMB75,374,000) (Note 7);
- v. RMB50,000,000 borrowing secured by RMB52,000,000 fixed deposits of the Group as at 31 December 2022 (Note 15(b)).

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 RMB22,595,000 (31 December 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.

Notes to the Interim Condensed Consolidated Financial Information

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20 Other financial liabilities

	Unaudited As at 30 June 2023 RMB'000	Audited 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 wholly owned subsidiary of the Group. 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 ending 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 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 current interim period, 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 has been made on 31 January 2023. Details of the transactions are set out in the Company’s announcement dated 16 January 2023.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

21 Deferred income

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
At the beginning of the period/year	97,136	99,681
Transfer to interim condensed consolidated statement of profit or loss	(7,511)	(2,545)
	89,625	97,136
Current	537	6,840
Non-current	89,088	90,296
	89,625	97,136

22 Lease liabilities

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

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For the six months ended 30 June 2023

23 Contract liabilities

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

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 period ended 30 June 2023 that was included in the contract liabilities as at 31 December 2022 was RMB161,800,000 (31 December 2022: RMB156,694,000).

Contract liabilities as at 30 June 2023 are expected to be recognised as revenue in the following one to two years (31 December 2022: one to two years).

24 Trade and other payables

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

24 Trade and other payables (continued)

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

25 Revenue

Revenue of the Group consists of the following:

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

26 Other income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Government grants (Note)	10,757	2,558
Rental income	—	770
Others	1,345	3,474
	12,102	6,802

Note:

Government grants mainly represent (a) RMB7,511,000 (2022: RMB1,264,000) amortisation of deferred income from the special government grants from Nantong Finance Bureau and Shanghai Qingpu Development and Reform Commission, (b) RMB887,000 (2022: Nil) of subsidy for COVID-19 PCR testing, (c) RMB629,000 (2022: Nil) of maternity subsidy and (d) RMB247,000 (2022: RMB1,073,000) of other medical subsidy.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

27 Expenses by nature

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

28 Finance costs – net

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

29 Income tax expense/(credit)

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000 (Represented)
Continuing operations		
Current income tax		
– Current period	50,534	17,578
– Over-provision in respect of prior years	(1,878)	(2,731)
Deferred income tax (Note 12)	5,062	(35,584)
Income tax expense/(credit)	53,718	(20,737)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

29 Income tax expense/(credit) (continued)

The income tax on the Group's profit/(loss) 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:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Profit/(loss) before income tax	179,937	(95,181)
Tax calculated at the applicable income tax rate (25%)	44,984	(23,795)
Tax effect of:		
Tax loss expired	6,037	46
Income not subject to tax	—	(102)
Expenses not deductible for tax purpose	1,005	708
Utilization/recognition of tax losses and temporary differences not recognised as deferred tax assets in prior years	(5,119)	(306)
Temporary differences not recognised as deferred tax assets	1,352	536
Tax losses not recognised as deferred tax assets	7,102	4,907
Different tax rates of a subsidiary	235	—
Over-provision in respect of prior years	(1,878)	(2,731)
Income tax expense/(credit)	53,718	(20,737)

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

The Company is registered in the Cayman Islands, and hence is not subject to corporate income tax. Two subsidiaries in the Group registered in the British Virgin Islands are not subject to corporate 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 six months ended 30 June 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 the PRC and Hong Kong.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

30 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 six months ended 30 June 2022. For the purpose of presenting discontinued operations, the comparative interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of other comprehensive income and the related notes have been represented.

The results of the specialty hospitals service business operations for the period from 1 January 2022 to 30 June 2022, which have been included in the interim condensed consolidated statement of profit or loss, were as follows:

	Six months ended 30 June 2022
Revenue	71,095
Cost of sales	(100,734)
Gross loss	(29,639)
Distribution costs and selling expenses	(15,996)
Administrative expenses	(12,571)
Net impairment losses on financial assets	—
Other income	15
Other losses	(36)
Operating loss	(58,227)
Finance costs	(13,901)
Finance income	15
Finance costs — net	(13,886)
Loss before income tax	(72,113)
Gain on disposal of a subsidiary (Note 34)	758
Income tax expenses	(22,754)
Loss for the period from discontinued operations	(94,109)
Cash flows from discontinued operations:	
Operating cash outflows	(134,829)
Investing cash outflows	(117,418)
Financing cash inflows	166,410
Total cash flows	(85,837)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

31 Earnings/(loss) per share

(a) Basic

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

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

(b) Diluted

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

For the six months ended 30 June 2023 and 2022, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, there would be no dilutive impact.

32 Contingencies

As at 30 June 2023, the Group had eight (31 December 2022: five) ongoing medical disputes arising from the operation of Nantong Rich Hospital and several disputes arising from medical examination centers 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 disputes shall not be material and thus no additional provision was made in this respect.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

33 Commitments

Capital commitments

Capital expenditure contracted for but not yet incurred at each balance sheet date, is as follows:

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Authorized and contracted for:		
Nantong Rich Hospital Expansion II	—	53,271
Leasehold improvement	22,478	22,323
System upgrade expenditure	2,760	2,760
Nantong Rich Hospital Expansion I	2,772	1,731
	28,010	80,085

34 Disposal of a subsidiary

Changzhou Rich was the Group's subsidiary, of which 57.92% equity interest was held by the Group. In June 2022, the Group disposed all of the equity interests in Changzhou Hospital to Jinxin Holding Group Co., Ltd, the non-controlling interest of Changzhou Hospital at the consideration of RMB27,110,000. Upon such transaction, the Group ceased to have control. The Group recognized a decrease in non-controlling interests of RMB19,147,000 and an investment gain of RMB758,000.

35 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 other 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 six months ended 30 June 2023 and 2022 and balances arising from related party transactions as at 30 June 2023 and 31 December 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35 Related party transactions (continued)

(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)	Controlled by Dr. Fang
Nantong Rich Meidi Elderly Care Center (南通瑞慈美邸護 理院有限公司) (“Nantong Meidi”)	Subsidiary of the joint venture
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

(b) Saved as elsewhere disclosed in this financial information, the following transactions were carried out with related parties:

(i) Expenses paid on behalf of related parties by the Group

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Nantong Meidi	275	265
Nantong Rich Real Estate Development Co., Ltd.	10	20
	285	285

(ii) Purchase of goods and services

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Mr. Fang Haoze	—	150

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35 Related party transactions (continued)

(b) Saved as elsewhere disclosed in this financial information, the following transactions were carried out with related parties: (continued)

(iii) **Services provided to related parties**

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Nantong Meidi	288	500

(iv) **Guarantee provided by related parties for borrowings of the Group**

	Unaudited	Audited
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Dr. Fang and Dr. Mei	140,000	—

(v) **Guarantee provided by related parties for financial liabilities of the Group**

	Unaudited	Audited
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Dr. Fang and Dr. Mei	—	22,964

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35 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:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Share option scheme	—	1,574
Salaries and other short-term employee benefits	1,903	1,475
Pension	137	125
	2,040	3,174

(d) Balances with related parties

(i) Amounts due from related parties

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Nantong Meidi	561	1,083
Nantong Rich Real Estate Development Co., Ltd.	10	31
	571	1,114

The amounts due from related parties are mainly for lending money to related parties, expenses paid on behalf of related parties or services provided by the Group, which were unsecured and non-interest bearing.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35 Related party transactions (continued)

(d) Balances with related parties (continued)

(ii) Amounts due to related parties

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Jiangsu Tayoi	133	133

36 Dividend

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



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