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RICI HEALTHCARE HOLDINGS LIMITED

瑞慈醫療服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1526)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTIONS IN RELATION TO WUXI RICH AND CHANGZHOU RICH

Reference is made to the announcement (the “**Announcement**”) of Rici Healthcare Holdings Limited (the “**Company**”) dated June 1, 2022 in relation to the connected transactions involving Wuxi Rich and Changzhou Rich. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with further information on the Transactions.

INFORMATION ABOUT JINXIN HOLDINGS, YUANDI HOLDINGS AND CHANGZHOU LANGJIE

As at the date of the Announcement, Changzhou Rich was owned as to 57.92% by Shanghai Ruikui, 39.92% by Jinxin Holdings, 1.49% by Yuandi Holdings, and 0.67% by Changzhou Langjie, and Wuxi Rich was owned as to 74.43% by Shanghai Ruikui, 23.43% by Jinxin Holdings and 2.14% by Yuandi Holdings.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries:

- (i) as at the date of the Announcement, Jinxin Holdings was owned as to 91% and 9% by Wu Weiliang (吳偉良) and Wu Qi (吳琦), who were independent third parties (except for their interest in Wuxi Rich and Changzhou Rich held through Jinxin Holdings before completion of the Transactions). The original acquisition cost of the assets in Wuxi Rich, namely the paid-in capital contributed by Jinxin Holdings was RMB49.64 million;
- (ii) as at the date of the Announcement, Yuandi Holdings was owned as to 90% and 10% by Miu Hong (繆鴻) and Shanghai Yuandi Investment Management Co., Ltd. (上海源地投資管理有限公司), who were independent third parties. Shanghai Yuandi Investment Management Co., Ltd. was owned as to 90% by Miu Hong and as to 10% by Shanghai Yuanfu Enterprise Management Consulting Center (上海源弗企業管理諮詢中心), which is wholly owned by Wang Jiaying (王甲穎), an independent third party. The principal activities of Yuandi Holdings include equity investment, fund management and provision of related consultation services; and
- (iii) as at the date of the Announcement, Changzhou Langjie was owned as to 51% and 49% by Wei Shan (韋珊) and Zhou Nan (周南), respectively, who were independent third parties. The principal activities of Changzhou Langjie include real estate investment, warehousing services and sales of construction materials.

BENEFITS AND INTENDED USE OF SALE PROCEEDS IN CONNECTION WITH THE DISPOSAL OF CHANGZHOU RICHI

The Company estimates that it will recognize a total unaudited gain of approximately RMB4.2 million from the disposal of the equity interest in Changzhou Rich held by Shanghai Ruikui, being the amount equal to the consideration receivable by Shanghai Ruikui in connection with the disposal partially offset by the net assets value of Changzhou Rich attributable to Shanghai Ruikui as of May 31, 2022 of RMB22.9 million. The above figure is for illustrative purpose only. The actual amount of gain or loss on the disposal to be recognized in the consolidated financial statements of the Group will be based on the carrying value of the net assets value of Changzhou Rich as of the closing date and therefore may vary from the amount mentioned above.

The Company intends to use the sale proceeds from the disposal of the equity interest in Changzhou Rich as general working capital to finance the business operation and activities of the Group within its ordinary course of business.

FACTORS CONSIDERED WHEN DETERMINING CONSIDERATION

When determining the consideration of the Transactions, the parties have made an overall assessment of all factors as mentioned in the Announcement, without using any of such factors as a single determinative factor.

(i) Net assets value of the Target Companies and cash inflow as a result of the Transactions

When referring to the Target Companies' net assets, the parties have considered the Target Companies as a whole. With respect to the consideration of the acquisition of the equity interest in Wuxi Rich, the Company considered the premium to the net assets value of Wuxi Rich as commercially acceptable, having considered the estimated gain from the disposal of the equity interest in Changzhou Rici and a net cash inflow of RMB2.3 million that Shanghai Ruikui will receive (being arrived at using the consideration receivable by Shanghai Ruikui (RMB27.1 million) offset by the consideration payable by Shanghai Ruikui (RMB24.9 million)) upon completion of the Transactions, which will enable the Group to increase its working capital and therefore improve its liquidity and strengthen its overall financial position. The mathematical calculations above are for the illustrative purpose only and may not reflect the Group's actual accounting treatments on the Transactions when preparing its financial statements.

(ii) Historical contributions by the Group and Jinxin Holdings

Historically, both parties played active roles in the management and operations of the Target Companies. The parties have not only fully paid up the registered capital of the Target Companies attributable to them respectively, but also brought with other resources. In particular, the Target Companies have utilized advanced medical equipment, experienced medical experts and extensive management experience from the Group, a leading medical service provider in Yangtze River Delta region with a national presence, and the customer resources introduced by Jinxin Holdings, a company based in Changzhou with wide service offerings and access to local high-value customers.

(iii) Historical performance and future prospects of the Target Companies

Over the years, Changzhou Rich had faced intensive market competitions due to lower acceptance level of private hospitals by local residents and the rapid expansion of public hospitals in Changzhou. The revenue of Changzhou Rich in 2021 declined as compared to 2020, and it would continue to bring financial pressures to the Group if it were continued to be operated by the Group. In contrast, whereas both Target Companies were loss-making, Wuxi Rich has shown greater growth potential as compared to Changzhou Rich. The following table sets out the revenue of the Target Companies for 2020 and 2021 based on the audited accounts prepared in accordance with HKFRS, respectively.

	2020	2021	Year-over-Year
	<i>(RMB'000)</i>		Change
Changzhou Rich	35,888	32,412	–9.69%
Wuxi Rich	10,821	18,890	74.57%

Having acquired the entire equity interest in Wuxi Rich, Wuxi Rich will become an indirectly wholly-owned subsidiary of the Company and the Group is expected to strengthen the overall control over Wuxi Rich and improve the efficiency of operation and management of Wuxi Rich.

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

Shanghai, the PRC, June 15, 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Fang Yixin, Dr. Mei Hong, Mr. Fang Haoze and Ms. Lin Xiaoying; and three independent non-executive Directors, namely Dr. Wang Yong, Mr. Jiang Peixing and Ms. Wong Sze Wing.